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A mass medium takes shape
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'A bit crowded'
FT review of the year
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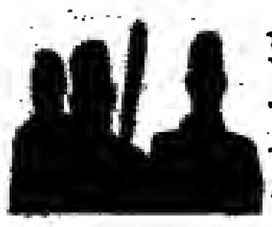

TOMORROW'S Weekend FT
Forces of darkness in our cities

World Business Newspaper

FRIDAY DECEMBER 29 1995

China leaves HK Democrats out of transition group

China has selected a group of senior Hong Kong business figures, local pro-Beijing politicians and Communist party officials to oversee preparations for Hong Kong's reversion to Chinese rule during the last 18 months of British sovereignty. Business membership is strongly weighted towards Hong Kong's property developers and includes Li Ka-shing (left). In picking the 150-strong "preparatory committee", Beijing disappointed many by shunning members of Hong Kong's Democratic party, the group which won popular support in the colony's general election in September. Page 12

Germans agree telecoms timetable: The German government and the main opposition party have agreed a timetable for legislation to liberalise the telecommunications market and provide more competition for state-owned Deutsche Telekom after the company is privatised. Page 12; Editorial Comment, Page 11

Amstrad executive resigns: David Rogers, chief executive of Amstrad, the UK electronics, computers and telecommunications equipment group, has resigned after a boardroom disagreement over the company's lossmaking consumer electronics business. Page 13; Lex, Page 12; Details, Page 18

US data held up: Efforts to resolve the US budget dispute continued with no early agreement in sight, while government departments were forced to delay the release of market-sensitive economic figures because of staff shortages caused by the partial government shutdown. Page 4

Call for lower German labour costs: Hans Tietmeyer, president of the Bundesbank, called for firm action to bring down Germany's high labour costs and reduce the social security burden on the country's economy. Page 3

US technology shares plunge: Technology stocks took a battering on Wall Street after two US technology companies warned that profits were behind analysts' expectations. Page 18; World stocks, Page 28

Bloomingdale's chain to expand: Federated Department Stores, owner of Bloomingdale's and other US department store chains, plans to launch its up-market Bloomingdale's format in California next year – a rare foray west of the Mississippi for the Bloomingdale's chain. Page 14

Combined Lloyds TSB shares rise: The first day of operation for the merged Lloyds TSB Group in the UK saw shares rise by 4½p to close at 343½p, despite some analysts' predictions that they would trade at a discount. Page 18

Land Rover output soars: Land Rover, the UK four-wheel-drive vehicle maker owned by BMW of Germany, surpassed its own forecasts and built more than 127,000 units this year, a 35 per cent rise on 1994 levels reflecting strong growth in overseas demand. Page 18

Agreement close on Mediaset deal: A consortium of Italian banks is expected to agree by tomorrow to buy 6 per cent of Mediaset, the company containing the television interests of Silvio Berlusconi's Fininvest business empire. Page 14

Italy to finalise financial package: The Italian government is due to decide today on details of a L5,285bn ($3.3bn) end-of-year financial package to back up the 1996 budget. Page 2

Granada hits back: Granada is planning a campaign next week to remind Forte's shareholders of the reasoning behind its £3.3bn ($5.06bn) hostile bid. Page 18

Pilot error blamed for Colombia crash: Authorities said the pilot of an American Airlines 757 failed to release landing brakes when he gunned the engines in an evasive manoeuvre moments before the aircraft crashed into a mountain in Colombia last week, killing 160 people.

Ukrainian pianist Cherkassky dies: Ukrainian-born pianist Shura Cherkassky, acclaimed as an interpreter of great romantic pieces, such as those by Chopin, Liszt and Schumann, died in London aged 84.

Cricket: An unbroken eighth-wicket partnership of 50 helped England reach 250 for seven on the third day of the fourth test at Port Elizabeth, avoiding the follow-on but still 178 runs behind South Africa's first innings total.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,082.55	(-13.37)
NASDAQ Composite	1,040.22	(-7.91)
Europe and Far East		
CAC40	1,879.06	(+2.03)
DAX	2,275.84	(-4.59)
FT-SE 100	3,676.7	(+0.3)
Nikkei	19,873.13	(-138.63)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	4.971%
Long Bond	112⅜
Yield	5.968%

OTHER RATES

UK: 3-mo Interbank	6⅝%	(same)
UK: 10 yr Gilt	104⅜	(107⅛)
France: 10 yr OAT	107.80	(107.72)
Germany: 10 yr Bund	103.38	(103.24)
Japan: 10 yr JGB	111.937	(111.63)

NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$18.31	(18.355)

GOLD

New York: Comex		
Feb	$387.8	(387.7)
London:		
close	$386.95	(387.25)

DOLLAR

New York: lunchtime		
£	1.5445	
DM	1.4395	
FFr	4.919	
SFr	1.1565	
Y	102.75	
London:		
£	1.5582	(1.5605)
DM	1.4318	(1.4313)
FFr	4.8985	(4.8975)
SFr	1.1507	(1.1535)
Y	102.805	(102.77)

STERLING

DM	2.2283	(2.2334)
Tokyo $ close:	Y102.80	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$29	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv110.00	Iceland	IKr220	Nigeria	Naira60	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr19.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y600	Philippines	Peso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)		Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50		Es250	Turkey	L80,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Yeltsin orders ministerial purge

Echoes of Stalin as Russian leader demands sack for 'saboteurs' in economy and finance ministries

By Chrystia Freeland in Moscow

Russian President Boris Yeltsin yesterday ordered Mr Victor Chernomyrdin, his prime minister, to sack "saboteurs" within the government by tomorrow in a move which has thrust the still ailing leader back to centre-stage.

The instruction was a signal that, after two months recovering from his October heart attack, the powerful but sometimes baffling Russian ruler intends to resume his dominant position.

Mr Yeltsin targeted the economy ministry and the finance ministry, two of the most reformist ministries in the government. The decision to attack those ministries and the use of Stalinist rhetoric have raised fears that he could be planning to purge reformers from his administration following the communist victory in parliamentary elections earlier this month.

According to the presidential press service, Mr Yeltsin yesterday gave Mr Chernomyrdin, the leader of a pro-government party which won less than half as many votes as the Communists, two days to "dismiss saboteurs" within the economy ministry. The president also instructed the prime minister to ensure that the finance ministry was obeying the president.

The two ministries have been at the forefront of the government's market reform efforts this year and Mr Yeltsin's order has provoked speculation that reform-minded ministers could soon be replaced by more left-wing politicians.

More worrying was Mr Yeltsin's use of the term "saboteurs" a word whose Russian translation unavoidably evokes the Stalinist era, when it was used to single out targets of the Soviet dictator's bloody political purges.

This allusion was strengthened by a presidential spokesman's explanation that Mr Yeltsin had been prompted to act by his "serious concern" over the lack of "discipline" within the executive branch of government.

Presidential aides also said Mr Yeltsin sought to remind government functionaries that, "regardless of their rank", they were all subject to "tough and severe demands".

Mr Yeltsin's Soviet tone could also indicate that the Russian leader is gearing up for the June presidential contest, which formally began this week with the preliminary registration of several candidates.

A return to the "discipline" of the Soviet era and the punishment of lawless government officials figured prominently in the campaigns of both the Communists and ultra-nationalists and their strong showing in the parliamentary ballot suggests that these issues strike a chord among Russian electors.

Mr Yeltsin, who has not yet declared himself a contender may be preparing to co-opt the Communists' law-and-order agenda.

But Russian observers have not ruled out the possibility that Mr Yeltsin, who has a history of making outrageous statements which are later retracted by his advisers, might have no serious motive for yesterday's provocative move.

One particularly odd element in the presidential directive lent credence to this interpretation. Presidential aides said the crackdown had been provoked specifically by Mr Yeltsin's anger that the two ministries had ignored an order he gave last year to produce a new generation of combine-harvesters.

Lex, Page 12

Mexico cooks row by ending tortilla subsidies

By Leslie Crawford in Mexico City

The Mexican government is about to tamper with culinary and political traditions by eliminating consumer subsidies for maize tortillas.

From ancient times to the present day, Mexico's rulers have kept the cost of tortillas low to buy social peace. The removal of the subsidies has become the ultimate test of the government's commitment to economic reform and avoiding another financial crisis.

In a sign of its willingness to tackle food subsidies, the government yesterday increased [illegible] prices by 15 per cent. But the popular reaction will be stronger when it comes to tortillas – thin, flat maize cakes which some Mexicans eat with every meal.

Agriculture officials said President Ernesto Zedillo's cabinet would meet in January to discuss how subsidies should be phased out, and how to deal with the political backlash against such an unpopular move.

"We have presented the government with several options, from a gradual increase in tortilla prices to a rapid elimination of price controls," said Mr José Andrés Casco, deputy agriculture minister. "It is up to the cabinet to decide which course to follow."

Mexicans eat 10m tonnes of maize tortillas a year. They are sold by the kilo, which costs 1.10 pesos (15 cents) in Mexico City and slightly more in the countryside. If price controls were removed, producers estimate the cost of tortillas would rise to around 2.50 pesos a kilo.

Price controls on tortillas have eased the pain of recession and high unemployment that followed the December 1994 financial crisis, although the cost of subsidising consumers has ballooned to more than $1bn, according to industry estimates.

A maize shortfall this year raised the price of the grain in Mexico and required expensive imports, while the government ensured tortilla production kept up with demand by compensating flour millers for the gap between their production costs and the controlled price of the finished product.

Mr Casco and other members of President Ernesto Zedillo's economic team believe price controls are an inefficient way to subsidise consumption.

Mexico's trade unions, however, have long regarded cheap tortillas as a fundamental right. The government's failed attempts this year to increase tortilla prices in line with inflation of around 50 per cent almost shattered the 60-year-old alliance between the Confederation of Mexican Workers and the ruling Institutional Revolutionary party.

Downhill view for peace troops

A US soldier from the Nato-led peace implementation force in former Yugoslavia enjoys a break from regular duties with some improvised sledging on a dyke near the Croatian town of Zupanja while his colleagues wait their turn. Heavy rain and melting snow have hampered operations. In Belgrade General George Joulwan, Nato's supreme allied commander in Europe, made a ground-breaking visit to Serbia as the international force met its first deadline for bringing peace to Bosnia. Report, Page 12 Reuter

Hyundai founder's son takes over in top-level shake-up

By John Burton in Seoul

Mr Chung Mong-koo, the eldest surviving son of Hyundai's founder, was named yesterday as the new chairman of the giant South Korean industrial group.

Hyundai also announced one of the biggest management reshuffles in Korean corporate history, affecting 404 executives.

The appointment of Mr Chung Mong-koo, who is 59, reflects Korea's strong tradition in which the eldest son usually inherits leadership of the family. He succeeds his uncle, Mr Chung Se-yung, who has headed Hyundai since its founder, Mr Chung Ju-yung, became honorary chairman in 1987.

Some analysts believe the generational shift in the control of Hyundai could lead to a gradual break-up of Korea's second biggest conglomerate, whose sales reached $77bn this year.

Mr Chung Ju-yung, who was known for his autocratic management of the group, several years ago distributed many of Hyundai's 45 subsidiaries among his six surviving sons and other relatives, who operate the businesses as loosely allied affiliates. A complex web of crossholdings maintains the unity of the group, but rivalry has increased among the corporate fiefdoms of the Hyundai founder's sons and nephews.

Hyundai Motor, Korea's largest car producer and one of the group's main companies, will remain under the management control of Mr Chung Se-yung's family, with his son becoming the company chairman.

Mr Chung Mong-hun, the fourth son of the Hyundai chairman, was appointed vice-chairman of the group in recognition of his success in rapidly developing Hyundai Electronics into one of the world's biggest producers of computer memory chips.

The new chairman, Mr Chung Mong-koo, has gained the reputation of reviving troubled Hyundai companies that have been placed under his control. His tough management style resembles that of his father.

Instead of managing Hyundai's main businesses, which include construction, cars and shipbuilding, the new chairman has been in charge of several smaller subsidiaries.

Mr Chung's most notable success has been his management of Hyundai Precision & Industry, one of the world's largest producer of cargo containers.

Faced with a slump in global demand for containers, Mr Chung diversified the company into the production of transport equipment and mechanised military vehicles such as tanks.

Hyundai Precision was named in 1993 as a leading contractor by GEC Alsthom to manufacture train engines and carriages for Korea's first high-speed rail project.

In an indirect challenge to Hyundai Motor, Mr Chung several years ago also decided to form a partnership with Mitsubishi Motors to develop a four-wheel-drive vehicle, the Galloper.

Sales of the Galloper were

Continued on Page 12

Internet groups are suspended over porn concerns

By Paul Taylor

CompuServe, the US-based consumer online information service, has suspended worldwide access to more than 200 Internet newsgroups because of German concerns about illegal pornographic material available through some of the groups.

The move follows a raid on CompuServe's German offices last month during which investigators from the federal prosecutor's office examined computer equipment.

It is thought to be the first time an Internet service provider has restricted access to newsgroups – individual sections which offer information to users – in response to the threat of legal action, although some have done so voluntarily.

The suspension is likely to have repercussions for other service providers and for the growth and independence of the Internet – the largely unregulated "network of computer networks" which links about 35m users around the world.

CompuServe has more than 4m subscribers including 500,000 in Europe and provides Internet access via a modem and telephone line. It said it had temporarily suspended access to more than 200 Internet newsgroups in response to a direct threat from the prosecutor's office.

CompuServe emphasised: "It wasn't us deciding what's naughty and nice." The company said the prosecutors investigating illegal material on the Internet, including child pornography and other pornographic material, had identified certain of the newsgroups which they considered to be illegal.

"As the first global Internet service provider we are in uncharted waters," said CompuServe. "We are the first to have to deal with different national laws."

Many Internet pioneers and other enthusiasts have sought to protect freedom of access to the wide variety of material available through more than 10,000 news-

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Russia's privatisation: from bang to whimper

Collapse of the telecommunications sale to an Italian group has wide implications for the transition to capitalism, writes Chrystia Freeland

The muddled collapse this week of Russia's telecoms sell-off closes a chapter in the country's transition from communism to a market economy.

Russia began the transformation with a bang in 1992, launching a mass privatisation programme which shifted 80 per cent of the economy at least partially into the private sector in just two years. But that phase ended with a whimper this week with the collapse of the sale of Sviazinvest, a newly formed Russian telecoms company, to Stet, Italy's state-controlled telecoms holding company.

Although Stet has said it hopes its differences with the Russian government can be resolved and that the Sviazinvest deal can be revived, Russian authorities yesterday insisted that the deal was dead.

"The deal is closed," said Ms Elena Sbalneva, a spokeswoman for the Russian Privatisation Centre, which organised the tender on the government's behalf. Ms Shalneva said that it was likely Stet would not be welcome to participate in the new tender when the government made a second attempt to sell off Sviazinvest next year.

The failure of the telecoms divestment has wide implications. Following criticism that many of Russia's privatisations have been secretive deals to benefit government and company insiders, the Sviazinvest sale had been billed as a transparent serving as the model for future international sell-offs.

But now the deal has fallen apart, the entire privatisation process is being viewed in a more critical light. The collapse has given credence to the attacks on privatisation which figured prominently in the recent parliamentary election campaign and which are likely to be among the defining issues in next year's presidential contest.

The main line of attack has been to question what sort of an economy – and society – the wildly ambitious mass privatisation programme has created.

When market reforms began in Russia four years ago, the challenge of establishing capitalism after 70 years of central planning overwhelmed subsidiary debates about the type of capitalism Moscow's youthful leaders were creating. But now that Russia has something which, for all its flaws, must be called a market economy, many observers are beginning to look at it more closely, and less favourably.

To be sure, some of the strongest challenges have come from the Communists, who opposed market reforms from the outset. But, in contrast with the early days of transition, both reform-minded politicians and businessmen have also begun to criticise privatisation.

One of the most articulate is Mr Grigory Yavlinsky, leader of Yabloko, Russia's leading pro-reform party. Although he first made his name as a reform economist in the Gorbachev era, he now considers the mass privatisation programme flawed because it has failed to improve corporate governance or attract significant new investment, while leading to a hugely unfair redistribution of the country's wealth.

"Mass privatisation with the voucher method was senseless," Mr Yavlinsky says. "The real problem with it was that all it did was to give property to the *nomenklatura*."

This view gained many adherents this autumn, when the government controversially auctioned large stakes in some of the country's most valuable enterprises in exchange for loans. Government officials said the scheme would raise money swiftly for the cash-strapped treasury. Its opponents saw it as a blatant example of the manner in which privatisation was being used to transfer national assets to a small group of insiders.

One measure of the condemnation which the shares-for-loans scheme has earned, even in the most pro-market sectors of Russian society, is a statement yesterday from the Roundtable of Russian Business, one of the most respected business associations.

The group described the procedure as an "opaque process... which will inevitably lead to conflicts". It called on the government to stop it immediately and, even more remarkably, for all winners of the shares-for-loans auctions "to consider soberly the programme's implications for the future of private business in Russia and to give up their acquisitions voluntarily".

The collapse of the Sviazinvest privatisation has deprived the Kremlin of its last line of defence against these increasingly vitriolic attacks on the shares-for-loans programme.

While privately criticising the shares-for-loans schema, many of the government's most committed reformers have argued in the past that it was an aberration provoked by the urgent need to raise revenues to meet tough budget targets in 1995. They insisted that the competitive and transparent Sviazinvest tender, rather than the shares-for-loans scheme, would be the model for future privatisation.

Even this week, Mr Maxim Boyko, a free-market ideologue and the official who ran the telecoms tender, held out the hope that, despite the Stet bid failure, the process would set an important precedent for Russia.

The fear now is that the precedent will be that Russia is not yet capable of successfully closing competitive and transparent international tenders.

Lex, Page 12

The Française des Jeux company has generated lots of profits and plenty of bad publicity, writes Andrew Jack in Paris

France's lottery organisation proves both winner and loser

It is no coincidence that the top floor of the Paris headquarters of Française des Jeux, the French national lottery organisation, resembles a luxurious penthouse flat. With its roof garden, wood panels and modern furnishings, that is exactly the way it was used by Mr Gérard Colé, the organisation's former head, who is facing corruption allegations.

While the British and some other national lotteries have recently had some unwelcome publicity, France has a notable track record. Earlier this month, Mr Patrick Le Lay, head of TF1, the country's largest television station, was held for two days in police custody and his office raided.

The action was only the most recent and one of the most public steps in a long-running inquiry conducted by Judge Gérard Poirotte into the operation of Française des Jeux while under the governance of Mr Colé, who was placed under formal investigation for fraud and corruption in December 1994.

TF1 is alleged to have given Mr Colé FFr10m ($2m) in banknotes in an attempt to persuade him to continue to give the broadcaster exclusive broadcasting rights for the lottery results. Mr Le Lay rejects the charges vigorously.

Française des Jeux's 1994 annual report shows some of the broader concerns about its own past management. In early 1993 the auditors drew the public prosecutor's attention to large payments, which they considered unlawful, to a group of information technology service providers.

The tax authorities subsequently launched an inquiry, and by the end of 1993 the search was on for a replacement for Mr Colé. The following January, the public prosecutor opened an investigation concerning misappropriation of corporate funds through overcharging.

A court-appointed expert highlighted highly autonomous company management, no systematic invitations to tender, imprecise agreements and strong development of relations with a few suppliers.

The organisation's new chairman, Mr Bertrand de Gallé, former head of the recently privatised Seita tobacco group, stresses that things have changed fundamentally since then. He argues that none of the allegations touching his predecessor puts into question the integrity of the lottery games themselves, and that all links with the past are now severed.

"We have radically reviewed the management of the company," he says. "The board must approve all decisions and expenses are controlled. We have changed our internal structure, and the relations between subsidiaries."

He has also made an additional personal ethical stand: he has ruled out playing any of the games himself, even though he stresses that he has no way of influencing the outcome, or even knowing in advance who has won.

One of the problems facing Française des Jeux was its curious structure: a mix of the public and private sector, with a chairman appointed by the state, which now holds 72 per cent of the shares, and the rest distributed between a range of long-standing investors and vendors.

Another was the temptation provided by an organisation which last year generated FFr31bn in sales of its dozen games, and reported post-tax net income of FFr330m.

While the largest proportion of takings – some 58 per cent – goes to lottery winners, and the state claims more than another quarter in taxes and levies, that leaves a substantial dividend to be distributed to shareholders, which include two private families and several war veterans' associations.

They, along with farmers hit by natural disasters and other environmental hazards, were among the early beneficiaries of the state-backed lottery created by a law in 1933. The only other body for which money is specifically earmarked is the promotion of sports – accounting for 2.4 per cent of the state's proceeds.

Mr de Gallé says there are no discussions under way to change the existing structure of shareholding or the split of the proceeds. Equally, he is content with the number of sales outlets: some 41,000, largely tobacconists and newsagents.

More change is likely to come in other countries, such as South Africa, where Française des Jeux is acting as a partner in the development of a lottery. In France, Mr de Gallé predicts that in the next "several" years there may also be new, interactive video lottery games on offer.

But he is in an enviable position compared to many of his peers in business, with sales continuing to mount steadily despite the economic downturn in France. There has been a particularly sharp rise in sales of "instant games" such as scratch-cards, which he puts down to their low cost, high probability of winning a prize and the fact that they provide an immediate result.

Regarding concerns about the morality of running an organisation which tends to consume disproportionately the income of the lower-paid, he argues that average expenditure is relatively low, and that "the Catholic tradition in France means a public debate about money would be very difficult".

"We have to be attentive to morality but gambling exists in all civilisations," he says. He believes the French authorities have come up with a "good compromise": regulating and authorising it to ensure players' rights are respected, gaining income while preventing it becoming too large.

The millionairess: A woman contestant jumps for joy over a million franc win in a lottery game Reuter

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Dini attempts to tie up New Year package

By Robert Graham in Rome

The Italian government is due to decide today on details of a L5,285bn ($3.3bn) end-of-year financial package to back up the 1996 budget.

It will be the last formal act of the 11-month-old administration, the first composed entirely of non-parliamentarians. Mr Lamberto Dini, the prime minister, is expected to hand in his resignation by the weekend – an offer which is likely to be rejected by President Oscar Luigi Scalfaro.

Preparation of the mini-budget was complicated 10 days ago when parliament approved a motion, brought by the rightwing alliance of former premier Silvio Berlusconi, demanding that the entire L5,285bn be financed by spending cuts.

The government had intended to raise the money by raising direct taxes. As a result, it has had to reconsider the package, trying to placate the rightwing alliance while seeking to avoid alienating its main support base in parliament, the centre-left parties and their trade union allies.

Having embarrassed the government on this issue, the Berlusconi camp softened its stance, and was content to allow the 1996 budget to pass through parliament on Christmas Eve. The budget seeks to find L32,000bn in new revenues and spending cuts to reduce the deficit to 5.9 per cent of gross domestic product.

The unions have been concerned that more spending cuts will alter the budget's balance, with the axe falling on health and social security benefits. They have made vague threats of strike action if the government decides at this late stage to slash spending. The budget already contains cuts of L14,000bn.

Against this background, the government has managed to find a legal loophole that allows the mini-budget to avoid the full implications of the parliamentary vote demanding spending cuts. Thus, L3,800bn of the package will be centred around raising new revenues.

The public has already been softened up to expect increased duties on petrol, alcohol and tobacco, plus a raft of rises in fees paid for the annual renewal of car and gun licences, passports and stamp duties.

Other funds will come from an extension of a tax amnesty, which eases settlements in disputes over tax returns and on social security contributions from 1989 to 1993. The extension is expected to cover 1994.

The original tax amnesty was scheduled to provide L11,500bn. But, even after a series of modifications during the course of this year to make it more attractive, receipts are likely to be no more than L7,000bn.

These lower receipts have been one of the main reasons behind the need for an end-of-year mini-budget.

N-test shatters seasonal quiet

By Andrew Jack in Paris

The timing of France's fifth nuclear test, carried out by the country's scientists on Wednesday in the South Pacific, could have been better for public relations purposes.

The furious reaction sparked by President Jacques Chirac's original decision in June to proceed with eight tests took officials by surprise, and the prolonged criticism became particularly embarrassing because it dragged on into the 50th anniversary of the bombing of Hiroshima in August. The volume of media coverage has diminished sharply with each successive test since then.

But this week's explosion has burst back into the headlines because it was carried out at a time when there is little other news for the French press to report in the quiet period just after Christmas.

According to some reports, the explosion was delayed from its scheduled date a little before Christmas because of the reaction likely to be triggered at a time when the country was in the middle of fraught negotiations with unions after three weeks of strike action by public sector workers.

However, there is a feeling among many that France has ridden out the worst of the storm of international reaction and that the tests – reduced to six or seven and likely to finish by the end of February – will soon be widely forgotten.

The explosion under the Muroroa atoll of a bomb with a power of a little under 30 kilotonnes – still almost twice the power of that over Hiroshima – did not fail to trigger a round of strong rebukes.

Mr Jim Bolger, New Zealand's prime minister, called France "the worst enemy" of the Pacific and accused it of defying public opinion. South Korea expressed its "profound regrets", and Mr Tomiichi Murayama, Japan's prime minister, asked for an end to the tests "which have no sense".

Meanwhile, a Rome-based magistrate called for a French navy captain and the captain of a ship belonging to the Greenpeace environment organisation to stand trial over clashes during an anti-nuclear protest in the southern Italian port of Brindisi.

While often neglected abroad, France's own vocal opponents of testing reiterated their critical stance. The Communist party said it was "revolted and concerned" by the timing of the latest test, and the Socialists called them "arrogant" and "without military use".

However, the French foreign affairs ministry stressed yesterday that the test would have no negative environmental consequences on the region. It also maintained the official line that the explosions were necessary for completing scientific tests of the country's nuclear weapons.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE (ENGLAND) No. 004232 of 1995
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF

CENTAUR INTERNATIONAL INSURANCE COMPANY LIMITED
(a Bermudian registered company)
and
THE CONCORD REINSURANCE COMPANY LIMITED
(a Bermudian registered company)
and
MARBARCH INSURANCE COMPANY LIMITED
(a Bermudian registered company)
and
SHASTA REINSURANCE COMPANY LIMITED
(a Bermudian registered company)

AND

IN THE MATTER OF THE COMPANIES ACT 1985 OF GREAT BRITAIN

IN THE SUPREME COURT OF BERMUDA No. 259 of 1995
CIVIL JURISDICTION
IN THE MATTER OF

CENTAUR INTERNATIONAL INSURANCE COMPANY LIMITED
and
THE CONCORD REINSURANCE COMPANY LIMITED
and
MARBARCH INSURANCE COMPANY LIMITED
and
SHASTA REINSURANCE COMPANY LIMITED

AND

IN THE MATTER OF THE COMPANIES ACT 1981 OF BERMUDA

NOTICE IS HEREBY GIVEN that on 8 November, 1995 the Closing Scheme of Arrangement between the above-named companies and their respective Closing Scheme Creditors (as defined in the Closing Scheme of Arrangement) was approved by the Closing Scheme Creditors.

Further notice is hereby given that by orders dated 5 December, 1995 and 6 December, 1995 made in the above matters, the Supreme Court of Bermuda and the High Court of Justice in England sanctioned the Closing Scheme Arrangement.

On 8 December, 1995 the order made in the High Court of Justice in England sanctioning the Closing Scheme of Arrangement was delivered to the Registrar of Companies for registration in England and on 7 December, 1995 the order made in the Supreme Court of Bermuda sanctioning the Closing Scheme of Arrangement was delivered to the Registrar of Companies for registration in Bermuda.

The Effective Date of the Closing Scheme of Arrangement (as defined in the Closing Scheme of Arrangement) is 8 December, 1995.

In accordance with the terms of the Closing Scheme of Arrangement, Worthington Limited has provided a Claims Form to each Closing Scheme Creditor. Additional Claims Forms are available on written request from Ian Broderick of Trinity Square Services Limited, Pullman Place, Great Western Road, Gloucester GL1 3NB. Closing Scheme Creditors who wish to have their own estimate of their claims considered for a final dividend are required to submit their Claims Form before 7 March, 1996.

Dated 29 December, 1995

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ

Solicitors to Worthington Limited

PUBLIC NOTICE

offer

NOTICE UNDER SECTION 11(2) OF THE ELECTRICITY ACT 1989

The Director General of Electricity Supply (hereinafter referred to as "the Director") pursuant to Section 11(2) of the Electricity Act 1989 (hereinafter referred to as "the Act") hereby gives notice as follows:

a) He proposes to modify the conditions of the licences granted to Eastern Group plc and South Western Electricity plc respectively under Section 6(1)(c) of the Act by inserting new Conditions 2A (restriction on activity and financial ring fencing) and 2B (availability of resources) and by amending Conditions 1 (definitions), 27 (disposal of assets) and 28 (provision of information to the Director);

b) He proposes these modifications because, in each case, the majority of the shares in the company holding the licence is now held by another company;

c) In summary, the affect of the modifications is:

(i) with small exceptions, to limit the licence holder's business to the supply and distribution of electricity;

(ii) to limit the extent to which the licence holder may hold shares in other companies within its group of companies;

(iii) to require the licence holder to act in a manner calculated to secure that it has sufficient management and financial resources;

(iv) to require the licence holder to give an annual certificate as to the adequacy of its financial resources;

(v) to forbid mortgaging assets or borrowing save for limited purposes;

(vi) to restrict transactions with other members of its group of companies except on normal commercial terms;

(vii) to require undertakings from its holding company that other companies within the group will refrain from actions likely to cause the licence holder to breach its obligations under the Act or the licence, and that other companies in the group will give the licence holder all information necessary to enable the licence holder to comply with its obligation to give information to the Director.

A copy of the proposed modifications can be obtained (free of charge) from the Office of Electricity Regulation. Any representations or objections to the proposed modification may be made on or before 29 January 1996 to the Director at the Office of Electricity Regulation, Hagley House, 83-85 Hagley Road, Edgbaston, Birmingham B16 8QG.

T Davis
Authorised on behalf of the Director
29 December 1995

N-test shatters seasonal quiet

By Andrew Jack in Paris

Tietmeyer joins the calls for greater industrial innovation

Bundesbank chief attacks labour costs

By Andrew Fisher in Frankfurt

Hans Tietmeyer: 'solutions'

Mr Hans Tietmeyer, president of the Bundesbank, yesterday called for firm action to bring down Germany's high labour costs and reduce the social security burden on the German economy.

He also said steps being taken to reduce the *state sector's* share in the German economy – now just over 50 per cent – and the *size* of the budget deficit should be reinforced and maintained for some years.

Mr Tietmeyer said in an interview with Süddeutsche Zeitung, the Munich newspaper, that the German central bank's monetary policies had set the basis for evenly balanced and non-inflationary economic growth. "The question is whether this is also true of other areas."

Current moves to bring more flexibility and sectoral pay differentials into the wage process were not enough. "The current discussion has to lead to concrete solutions."

His comments were published the day after German economic institutes warned that unemployment would rise unless industry received new incentives through lower taxes and reduced labour costs. Union *leaders* have *held* out the promise of more moderate wage increases next year if employers guarantee more jobs, prompting a mixed response from industry.

Yesterday Chancellor Helmut Kohl said in a newspaper interview the German economy would recover in 1996 but he insisted that the main challenge would be to reduce unemployment.

The German central bank has previously expressed concern about unemployment, currently totalling 3.7m or 9.7 per cent of the workforce. *It* has called for greater pay flexibility, reduced bureaucracy and planning curbs, and lower taxes and other deductions from pay and profits.

In yesterday's interview, Mr Tietmeyer said the additional labour costs caused by social welfare policies should be reduced over the medium and long term. Also important for investors and the quality of *Standort Deutschland* (Germany as an industrial location) was industry's willingness and ability to innovate.

Calls for business to be more innovative and for Germans to be more risk-minded have been widespread recently, with Chancellor Helmut Kohl joining the chorus. For the Bundesbank, *Mr* Tietmeyer *said* monetary policies could only set the framework for stable economic growth.

The bank cut short-term rates before Christmas, bringing the discount and lombard rates to 3 per cent and 5 per cent respectively. Mr Tietmeyer said further cuts would depend on how money supply and the overall economic situation developed.

He also asserted that France, as "a core country of European integration", must be a member of the planned European monetary union. "A currency union which comprised only Germany and a few smaller countries could very quickly lead to a problematic divisive tendency in Europe."

Counting cost of Bismarck's welfare legacy

Pressure is growing from German employers for reform of the social security system

Mr Dieter Schulte, head of Germany's federation of trade unions, yesterday challenged suggestions by employers' bodies that high labour costs were responsible for unemployment and lack of competitiveness.

He was responding to growing pressure from employers for reform of Germany's social welfare system, which places obligations on employers to pay benefits which add 80 per cent to salary costs.

The public debate coincides with warnings by the Bundesbank, which in its latest report said industry was pessimistic about the prospects for economic growth for the coming year. Latest forecasts show gross domestic product growth could dip below 2 per cent in 1996, compared with earlier estimates of 2.5 per cent.

Mr Wolfgang Scheremet, a labour economist at the Berlin-based German Institute for Economic Research (DIW), believes employers are not just voicing the usual gloomy end-of-year predictions about the cost of labour. "They actually want to try to change the system," he says. "The current [social welfare] system is under attack."

The system has its roots in the Bismarck era. In an attempt to beat back the rise of the Social Democrats, Bismarck introduced a battery of social reform legislation, beginning with the Sickness Insurance Law of 1883, amended a year later to the Accident Insurance Law and followed in 1889 by the Disability Insurance Law.

These social welfare schemes are in effect still in place. The cost of industrial accident insurance in the 1880s devolved on employers, while sickness insurance was financed two-thirds by employers and a third by employees. The costs of pensions were shared by employers, employees and the state.

What has changed fundamentally is the size and complexity of the state, along with a growth in the number of welfare benefits for which – in most cases – employers and employers share the costs equally. Studies published last week by the federal labour office and the Cologne-based Institute for the German Economy (IW) show that for every DM100 ($70) on an employee's wage bill the employer must pay an additional DM80.20 in non-labour costs.

These costs are divided into two categories. The first is legally binding social insurance, which includes pension, health, unemployment and a new insurance introduced last year to pay for nursing care in sickness or old age.

These account for DM26.50. Employees must match the costs, which are deducted from gross salary. Then comes the cost of paying workers for bank holidays (DM4.20), maternity leave (an average of DM0.40 per employee), and accident insurance (about DM2, to which the employee does not contribute).

The second category of non-labour costs relates to the *Tarifvertrag* – the contract agreed between employers and unions in each business sector. In Germany, every branch of the economy has a different range of perks and privileges.

For instance, the banking sector pays employees an extra two months' salary a year, for holidays and Christmas money. For most business sectors, the average holiday and Christmas money is an extra month's salary.

In addition, employers put aside an average of DM8.30 per employee for "special payments". These include a one-off payment for company loyalty – usually starting when the employee has been with the company for more than three years. This bonus, often paid annually as a lump sum, increases in line with an employee's service.

Then there are special funds to which employers agree to contribute in the *Tarifvertrag*. For instance, a leading German news agency has a fund for correspondents in case of illness or retirement. This costs the employer an additional DM7.10 per employee, with a further DM8 paid into benevolent funds for family and other emergencies.

"You can see the kind of non-labour costs the employer has to pay," an official of the Employers' Association said yesterday. "It is becoming prohibitive."

Mr Scheremet argues that German unit labour costs – in domestic currency – have not risen more than the average in other industrialised countries. In addition, he said, if employers cut the non-labour-costs, the government would be left with the problem of how to pay for social services.

"These issues are slowly coming on to the political agenda.

"German politicians are beginning to question the costs of the 'social state' and indeed the role of the state. They question the fundamentals of the German system, but are unsure what to put in its place without breaking social consensus."

Judy Dempsey

German chemical industry employers said yesterday that the country's spluttering economy might threaten growth in their industry only months after it raced out of recession on nearly triple-digit growth rates, Reuter reports from Frankfurt.

BAVC, the employers' association, said a downturn in orders, coupled with sluggish consumer demand, indicated "stormy weather" ahead. Now "the question is whether the west German chemical industry is facing a temporary slump or whether there is more behind this [slowdown]." It also voiced concern that the rate of productivity growth might be hit.

A slowdown was already noticeable this year after the sector reported 10-month growth rates 2.6 percentage points below comparable 1994 levels, the group said. The German chemical industry trailed its Japanese and US rivals, who reported an 8.4 per cent and 4 per cent expansion in their respective sectors.

The association expects next year a stagnation, or even recession, in industries such as construction and textiles, key purchasers of chemicals. "For the chemical industry, which acts as a producer for these various industries, this present an environment that clearly points to reduced growth rates," it said.

The gloomy prediction echoes the caution sounded by Germany's three leading chemical companies – Hoechst, Bayer and BASF – that recent growth rates must level off. However, analysts said that slower growth rates did not signal the second half of a "boom to bust" phase but rather a natural progression after the sector pulled out of recession.

Analysts, as well as the BAVC, forecast that the chemical industry would continue to grow internationally, despite periodic clouds, which could include a slowdown in volume sales and less room to raise prices. The BAVC warned, however, that German companies must continue restructuring programmes in order to shore up international competitiveness.

"There is no way around it. Companies must now become more efficient in all areas," the association warned.

EUROPEAN NEWS DIGEST

González on campaign trail

Mr Felipe González, Spanish prime minister, set out on the campaign trail yesterday, confirming plans to hold general elections on March 3 and challenging voters to think twice before voting the conservative Popular party opposition into power. The latest poll published by the opposition newspaper El Mundo suggested that the ruling Socialists had recovered slightly since Mr González announced 10 days ago that he would stand for a fifth term as prime minister, but still lagged almost 9 points behind the PP.

At a press conference, Mr González fended off criticism of his decision to stage the elections simultaneously with regional voting in his home region of Andalucia, saying it would have been "ridiculous" to hold the contests on consecutive weekends.

The cabinet yesterday approved Pta874bn (£4.65bn) in *spending cuts* after being forced to roll over its 1995 budget into next year as a result of a budget defeat in parliament in October. *David White, Madrid*

Iceland assures air travellers

There will be no disruption of transatlantic air travel if Icelandic air traffic controllers go ahead with a threatened walkout after pay talks broke down, civil aviation authorities *in Reykjavik said yesterday. All 82 Icelandic* air traffic controllers have handed in their resignations, effective at the end of the year, but authorities have used a legal provision to extend the contracts of 32 of the controllers for three months.

The Icelandic Civil Aviation Administration said yesterday a contingency plan for control of the Reykjavik Oceanic Area – which extends from Shetland to the North Pole and serves most flights between Europe and Canada, and to the US west coast – would ensure safety. *Reuter, Reykjavik*

Row over Polish PM continues

The pre-Christmas storm raised by the treason allegations against Mr Jozef Oleksy, Polish prime minister, by supporters of Mr Lech Walesa, former president, looks like rumbling on into the new year as security officials seek the further evidence demanded by the military prosecutor's office before proceeding with the case.

Mr Andrzej Milczanowski, former interior minister, told parliament before leaving office alongside Mr Walesa that security service evidence showed Mr Oleksy had long passed information to foreign intelligence until becoming prime minister in March. Mr Milczanowski did not name the country involved but, judging by Mr Oleksy's denials, the allegations involved his past contacts with Soviet and Russian diplomats. Yesterday Mr Jerzy Noszka, State Protection Office deputy *head, said it had until January 20 to provide the information* demanded and "will not have a problem filling out these details". *Anthony Robinson*

Romania seeks extradition

Romania will formally ask Hungary to extradite the Romanian owner of a private company who allegedly took some $24m *(£16m) from 20,000 investors*, Romanian police said yesterday.

Police in Hungary took Mr Sergiu Bahaian into custody on December 22, following a warrant issued by Romanian police last month, when Mr Bahaian and another three partners in his private company Sabina Product SRL went missing. Some 800 Romanians complained they did not get promised returns on deposits in dollars and D-Marks, which they said they had paid to invest in Mr Bahaian's company. *Reuter, Bucharest*

Red tape may drive Taiwan tycoon to China

By Peter Harmsen in Taipei

Mr Y.C. Wang, Taiwan's most powerful industrialist, is on a collision course with the island's government, threatening to shift new investments to mainland China out of frustration with the authorities' red tape.

Fresh from a visit to China, Mr Wang, head of the $12bn *Formosa Plastics* group, *said* his constant run-ins with government and environment groups could force him to set up camp on the mainland.

His threats will not surprise the Taiwanese government. He has been exercising brinkmanship for many years, but such is his clout – be is the head of Taiwan's biggest *industrial* conglomerate – be commands attention.

Mr James Soong, provincial governor of Taiwan, blamed *government policies* and *excessive* red tape for pushing Mr Wang to the edge. In earlier disputes between the businessman and environment groups over the siting of a naphtha cracker plant in Taiwan, Mr Wang had choeen a well-known beauty spot for the plant but was forced by a government agency to locate it *on* an industrial estate.

His China plans may inclnde locating part of the group's proposed production of electric cars in China. The Formosa group has signed an agreement with Royal, a Michigan-based company, to obtain battery technology for the project, aimed at an annual production of 200,000 cars.

At the same time, Mr Wang was reported by local media as saying that Formosa Plastic was planning to build two power plants in Fujian province on the mainland.

Mr Wang has apparently dismissed reports that the group was reconsidering a project to build a $7bn petrochemical complex in China. The group abandoned that plan in 1991 after it was persuaded by the government to set up the complex in Taiwan.

Although the authorities give the patrician Mr Wang dne respect, relations between the two parties are cool. Unlike the island's other tycoons, Mr Wang is not identified with Taiwan's ruling Kuomintang.

His snapping at government heels and his extraordinary pbysical fitness – in January Mr Wang, who turns 79 next month, took part in a 5km race, clocking up a time of 41 minutes – have earned him a high public profile.

His legendary frugality underpins his success and has helped him amass a personal *fortune of $2bn.*

His commercial success has earned him the title of "The God of Management". The Wang philosophy means a *tough, traditional management* style, which has little provieion for workers who, for instance, leave early on a Saturday, though this is common *in Taiwan.*

US data held up by budget dispute shutdown

By Patti Waldmeir in Washington

Efforts to resolve the protracted US budget dispute continued yesterday with no early agreement in sight, while government departments were forced to delay the release of market-sensitive economic figures because of *staff shortages* caused by the partlal government shutdown.

More than 280,000 federal workers remained at home yesterday for the 13th day, kept away from work by the fact that, until a budget accord is reached, Congress is preventing the funding of some government departments.

Low-level budget talks between the White House and congressional negotiators were continuing yesterday, with *negotiators saying* that President Bill Clinton could meet senior congressional figures tomorrow, if progress warrants a meeting. But Mr Bob Dole, the Senats majority leader, gave the negotiators' efforts only a "50-50" chance of euccess, and a Clinton administration official said that, even if a framework for a budget deal is agreed by the weekend, it was unlikely that federal workers would return to work by *the start of business next* week.

The effect of staff shortages became more apparent yesterday when the Department of Labor, which normally releases weekly employment statistics on *Thursdays* – figures which usually move markets – issued no report.

It said reports on December unemployment, and consumer and producer prices, originally scheduled for release early next month, would *also be postponed.*

Data for the December economic reports had been collected before the shutdown, bnt could not be processed *until employees* returned to work.

Similarly, market-sensitive trade figures, due to be published last week, have not been released. At the Department of Commerce, a recorded message informed callers than many offices were closed because of the shutdown.

Traders said lack of data had dampened activity in financial markets since the shutdown, but had led to no big market movements.

But for most Americans, the main impact of the closure has been on tourism, with leading attractions closed, and the issue of US passports stopped except for emergency cases.

White House Press secretary *Mike* McCurry said Mr Clinton was concerned that a continued shutdown could hit more politically *sensitive areas* such as the payment of prison guards and the delivery of "meals on wheels" to the elderly.

Canada's fragile sense of nationhood may soon face another serious test

Some observers fear that fiscal virtue could exact a high political price, **Guy de Jonquières** reports

Less than two months after Quebec voters narrowly rejected independence, Canada is experiencing the first twinges of concern thet its ever-fragile sense of nationhood may soon confront another, equally serious test.

The unease grows ont of a *development which has so far* generated rare national unity: the deep government spending cuts dictated by unsustainable budget deficits and high debt levels.

Despite a 9.4 per cent unemployment rate and weak domestic demand, opinion polls show strong public support for the swingeing austerity measures announced by Ottawa and many provinces in the past year.

But some Canadians fear fiscal virtue could exact a high political price, by weakening Ottawa's power to bind the country together by keeping the 10 provinces moving in broadly the same direction.

The main instrument of control has been federal transfer payments for services such as health, higher education and welfare. These provided as much as 40 per cent of provinces' revenues last year.

Central government has long relied on threats to deny funds, or promises of sweeteners, to get its way. But it now plans to reduce total payments and to make more of them as block grants, which provinces may spend as they wish.

Even the Business Council on National Issues, a business organisation which is urging Ottawa to wield the budgetary axe yet more boldly, sees political risks if the process is pushed too far.

"The problem is that as transfer payments are cut, provinces will start *to* ask why they ehould still obey the federal government," says Mr Sam Boutziouris, the council's chief economist. He fears this could cause the provinces, many of which view the others more as rivals than allies, to pursue more divergent courses.

Dr Archibald Ritter, of the economics department at Ottawa's Carleton University, says: "If we survive as a nation, I think it will be as a much looser federation than any of us thought possible 10 or 20 years ago."

Mr Paul Martin, Canada's finance minister, dismisses such fears as overblown. "We may be transferring less money to the provinces, but we will be transferring enough to make sure we are a player," he says. Cash transfers for education are being stabilised, while poorer provinces are set *to* receive higher "equalisation" payments, to even up public service standards nationwide.

But some independent economists, such as Mr Jim Franke of the Conference Board of Canada, a business and policy research group, think spending will need *to* be cut even more deeply if the country's public finances are to be redressed.

Mr Franke predicts that spending cuts planned so far will reduce *total* federal and provincial debt *to* only 95 per cent of gross domestic product by the year 2000, from 100 per cent today.

"We are only on step two of a 10-step ladder. The really tough slogging is yet to come." He also points out that most cuts announced so far will only take effect next year (1996).

"Much may depend on what happens when the axe falls, and talk of widespread closures or mergers of schools, hospitals and university departments becomes harsh reality.

Observers think a public backlash could occnr. They point ont that the government of Alberta, the first province to slash its bndget drastically, recently bowed to opposition to planned reductions in healthcare spending.

Others believe financial market pressures on Canada's debt-laden public sector make snstained spending cuts unavoidable. They worry that the result could be to drive the provinces still further apart.

Noting that Ontario generates 40 per cent of national output and a similar share of federal tax revenues, one official in Ottawa mused: "For how much longer will Ontario voters bankroll poorer provinces when their own public services are being slashed?"

Mr Martin says the provinces have a common interest in cooperating more closely. "In a number of areas it is not necessary for the federal government *to set national standards.* The provinces can get together and do it."

That would mark a decisive shift in the historical trend. As one senior federal adviser notee, even enppoeedly "national" programmes, such as Medicare, have long been partitioned along provincial lines by different professional standards and funding methods.

Nor have the provinces done much to eliminate the many regulatory variations which, to the irritation of the business community, create unnecessary costs by keeping Canada's internal market divided.

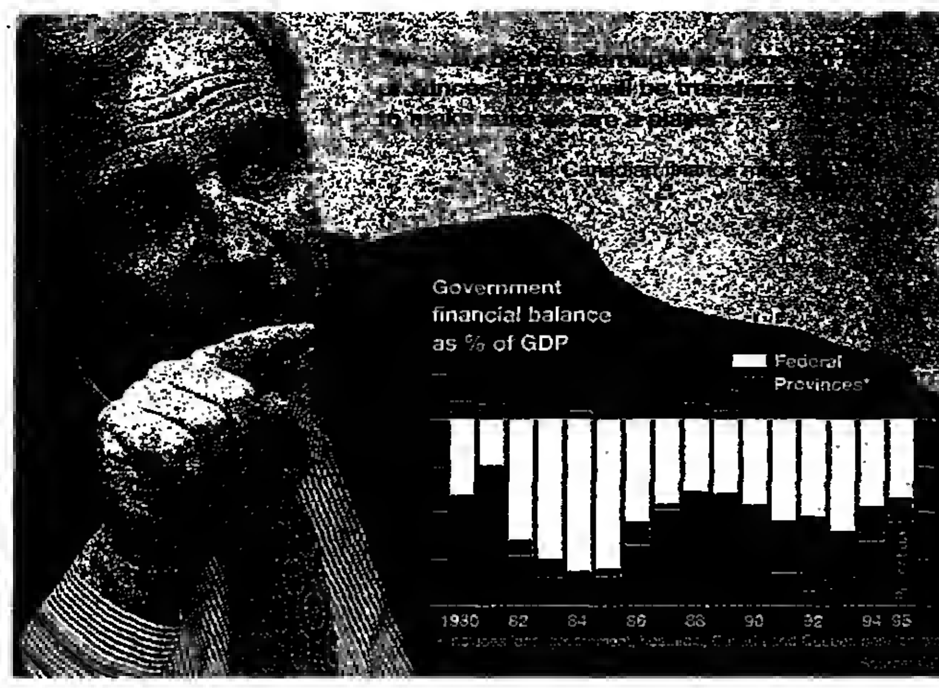
"You could argue that we have lowered barriers more with other members of the North American Free Trade Agreement than between Canada's provinces," says Mr James Nininger, president of the Conference Board.

Nafta's impact is evident in the rapid increase in Canada's exports, which have risen in the past three years from less than a quarter to more than a third of GDP.

This buoyant performance has generated most of Canada's recent growth. It has also increased the country's economic dependence on the US, which absorbs about four-fifths of Canadian exports.

For a nation long ambivalent about its relationship with its powerful southern neighbour, the trend is something of a mixed blessing.

But, like the recent budget cuts, it is an inevitable result of growing exposure to international market disciplines.



S Africa sees drop in days lost to strikes

By Roger Matthews in Johannesburg

Working days lost to strikes in *South Africa in 1995 have been* the lowest since 1988. Fears at the start of the year that unrest would rise, because of greater militancy and the relative *inexperience of* a *new generation* of union leaders, have proved groundless.

Employers' organisations are optimistic the trend will *continue in 1996, supported* by new labour relations legislation due *to* be signed into law within four months.

Andrew Levy and associates, *labour consultants, yesterday* reported that 1.6m working days had been lost *to* industrial action in 1995, compared with an average of nearly 4m days *annually* over *the* previous four years.

"The decline suggests management and unions have probably reached a high level of *maturity in* the *negotiation* process and realise that both parties gain more by settling a dispute than resorting to a trial of strength," said the report.

Nearly 90 per cent of work stoppages this year have been due to disputes over pay, but there are growing concerns that *differences* between the government and unions, especially over privatisation, could inject a more political element into strikes next year.

The Congress of South Africa Trade Unions (Cosatu), and the two smaller union federations, have called a national one-day strike on January 16 *to* protest against *government plans* for the public sector, and have threatened further action if ministers do not back down.

Mr Sam Shilowa, general secretary *of Cosatu, has said his* members do not object to restructuring the public sector, but are totally opposed to plans announced by the government *earlier this month for* the sale of three small enterprises, and its intention *to* seek minority equity partners for others.

A joint union-government committee has been set up in an effort to resolve the conflict and is due to complete its work on January 18.

Most stoppages in the past year have been in the public sector, where the government has been attempting *to* peg pay rises as part of its effort to cut the budget deficit.

Most citizens are used to conscription, but many are unaware their prized vehicles can be called up too

Israeli military sets sights on civilian off-roaders

By Mark Dennis in Jerusalem

Trading up from a sedan to the urban status symbol, tbe four-wbeel-drive, off-road vehicle can have *unforeseen consequences for Israelis.*

Unknown to many in the Jewish state, in case of an "emergency" (war) the military can conscript all private vehicles over a certain size and weight.

In the past this meant mostly trucks and buses, for few Israelis owned private off-road vehicles. But Israel's rapidly rising per capita *income has created a new wealthy* class that is flexing its purchasing muscle and bnying, among other things, off-road vehicles snch as Land Rovers, Mitsnbishi Pajeros and *Toyota 4-Runners.*

As with owners of otber heavy vehicles, they are required to register their prized and expensive vehicles (which, thanks to high taxes, can cost more than $60,000 with the Israel Defence Forces. Moreover, every four years they must report for call-np exercises *to* measure the time it takes to get to their assigned units.

Until the recent proliferation, the military did not bother too much with private off-road vehicles. "The army used not *to* hassle the private off-roaders becanse there were so few," said Mr Yoram Iny *of Eastern* Automobile Company, which imports Land Rovers. "Bnt snddenly they came up like mushrooms."

Tbese luxury ntility vehicles, which rarely make it much beyond north Tel Aviv, are the perfect command vehicles for the desert tracks and mountain trails that ring Israel's borders. The IDF etressed tbe vehicles were not used in peacetime. But, according to the IDF spokesman, "with the rise in the number of off-road vehicles in the country over the past year, we have expanded their assignment to the emergency list."

Israelis are used to the idea of conscription. *Every* male must serve for three years and every female for two. Men mnst do one to two montbs' *reserve duty every year as well. But* private vehicles?

Apparently few Israelis even knew about the requirement, which has its antecedents in emergency laws dating back more than 20 years, until the Israeli media picked it up this week. Since then, there has been a murmur of disapproval toward what many consider an anachronistic law from a time when Israel was under siege from its neighbours and few of its citizens owned cars.

Many see the law as ridiculous and others are simply dismissive. "The army gave me a note saying I have to appear at such and such a place in case of an emergency. I threw it away," said one owner of a Land Rover Discovery with a laugh.

INTERNATIONAL NEWS DIGEST

Wei Jingsheng appeal rejected

A Chinese court yesterday rejected the appeal of dissident Wei Jingsheng and upheld his 14-year prison term for plotting to subvert the government.

"The appeal was unreasonable and had to be rejected," the official Xinhua news agency quoted Chief Judge Wang Yi of the Beijing People's Higher Court as saying. Wei, 45, has no more appeals. "This is the final trial," Chen Xiong, the court spokesman, said.

In Paris, a Foreign Ministry official voiced disappointment and demanded Wei be released. Wei's family denounced the trial and said they planned to take legal action against the courts for dereliction of duty. The 1995 Nobel Peace Prize nominee now begins his second long jail term. He was expected to be held in solitary confinement, as in the past, diplomats said. Wei will be eligible for parole after serving half of his sentence, lawyers have said. He was first imprisoned in 1979 for "counter-revolutionary incitement", advocating change and passing purported military secrets to a foreign reporter. *Reuter, Beijing*

Japan motor industry record

Japan's motor industry bought US components worth a record $10.3bn in the six months to September 30, according to the Japan Automobile Manufacturers' Association. The purchases, an 8.3 per cent increase on the same period in 1994, may help to ease trade frictions between the two countries, which agreed on a package of measures to encourage purchases of US-made motor components in August. The April-September 1995 figure is well ahead of the previous record of $9.5bn for the same period last year. But only $1.7bn of this represents direct sales of US components to the domestic Japanese motor industry, an increase of 9.8 per cent over the same period in 1994. The remainder is made up of purchases by Japanese car makers in the US of locally-made parts and materials, up by 8 per cent. *Haig Simonian, London*

Philippines to buy Boeings

Philippine Airlines (PAL) plans to place orders for aircraft worth $3bn from Boeing of the US and Airbus Industrie, a company official said yesterday. The order is expected to comprise eight Boeing 747-400s and 24 aircraft from Airbus: four four-engine widebody units, eight twin-engine A330s and 12 A320 mid-range aircraft.

Airbus groups France's Aérospatiale; British Aerospace, CASA of Spain and the Daimler-Benz Aerospace arm of Germany's Daimler-Benz. *Reuter, Paris*

Taiwan revises money target

Taiwan's central bank yesterday revised downwards its target range for M2 money supply growth from 10-15 per cent to 9-14 per cent. This was the first downward revision since 1989 by the bank, Mr Sheu Yuan-dong, the bank's governor, said M2 growth averaged 10.3 per cent for the first 11 months of 1995, within the target range. M2 growth has been declining and in November this year M2 grew just 8.37 per cent over the previous November, the lowest year-on-year figure ever recorded for a single month. *Peter Harmsen, Taipei*

Indian trade deficit doubles

India's exports for April-November grew 24.47 per cent to $19.8bn against $15.9bn for the same period in 1994, Ministry of Commerce figures released yesterday show. Imports grew 31.44 per cent, to $23.1bn. Higher imports have pushed the country's trade deficit to $3.29bn, more than double last year's figure of $1.6bn. Petroleum, oil and lubricant imports, which traditionally account for nearly a quarter of India's total imports, increased 15.03 per cent to $4.2bn. Non-oil imports, of which capital goods continue to be a substantial component, rose 35.8 per cent.

Mr P. Chidambaram, commerce minister, has unveiled a new short-term export strategy to increase India's share of global trade from 0.6 per cent to at least 1 per cent by the year 2000. The minister has identified 15 items for export to as many countries and said the current export effort was "spread too thin". *Shiraz Sidhva, New Delhi*

Iraq tightens traffic controls

Iraq has tightened controls over traffic and communications links with Jordan following moves by Amman against President Saddam Hussein's government. Baghdad has doubled the exit fee Iraqis must pay to 400,000 Iraqi dinars ($150); the approval period is now a month instead of 10 days. The move has dealt a blow to passenger traffic, already curtailed since relations soured when King Hussein gave refuge to two defecting senior Iraqi aides in August. Before the new controls, some 150 passengers arrived daily from Iraq to Jordan. "The number has now almost dropped to zero," the owner of a bus service from Baghdad said. *Reuter, Amman*

Call to move Okinawa trial

A Japanese court yesterday postponed a final hearing in the trial of three US servicemen until early next year, after one of them requested the hearing be moved from Okinawa, because of "growing sentiment" there against US bases. Prosecutors were to have demanded a specific sentence; the servicemen are accused of raping a schoolgirl. *Reuter, Tokyo*

Tory chief raises cold war spectre

Mr Brian Mawhinnay, chairman of the governing Conservative party, made a suggestion yesterday that victory at the next election for the Labour party could leave Britain at the mercy of a resurgent Communist Russia, George Parker writes at Westminster. As senior Conservatives warned party workers to prepare for an election next year, Mr Mawhinney exhumed the language of the cold war in e surprise new tactic in the fight against Labour.

In his new year'e message to the party, Mr Mawhinney said Mr Tony Blair, the Labour leader, would hand British sovereignty to Brussels. He also recalled the Labour leader's membership of the parliamentary Campaign for Nuclear Disarmament in the 1980s. "With communists back in prominence in Russia, Britain could never feel safe with a former CND member in 10 Downing Street," Mr Mawhinney said.

Mr Blair's aides reacted with astonishment at the attack, which they claimed showed the Conservatives were unsure how best to ettack the Labour leader. "To suggest that Tony Blair is some kind of unreconstructed leftie is incredible," one said.

Both Mr Mawhinney and Mr Michael Heseltine, deputy prime minister, made clear that their party could be forced into an early general election if its House of Commons majority, now down to five, continues to dwindle. Mr Heseltine said he wanted the government to run its full term to allow the economic recovery to feed through to people's pockets, but added that the party was ready to fight at any time.

"The Conservative party will increasingly become a fighting machine as opposed to a government administering the country," he said. In an interview with ITN, Mr Heseltine rebuffed calls from Tory Eurosceptics for a Conservative commitment not to join a European single currency in the lifetime of the next parliament. He said Britain would disqualify itself from shaping economic and monetary union if it ruled out edoption of the Euro. "I think it would be inconceivable we would abandon our position et the conference table," he said.

His comments reinforced the position of Mr John Major, prime minister, but infuriated MPs on the Conservative Right, who believe that outright opposition to the Euro could be a vote winner at the next British election.

Trades Union Congress

Single currency for EU wins strong support

By Robert Taylor, Employment Editor

The Trades Union Congress will campaign etrongly next year for UK membership of a European monetary union in spite of growing doubts inside the Labour movement.

Mr John Monks, the TUC's general secretary, said in an interview that he wanted to reach agreement with the Confederation of British Industry on pressing for economic and monetary union as part of a move to develop closer accords with employer organisations.

"The prospect of not being in Emu would be very dispiriting for British industry," he said. "The TUC is the most pro-European of our major national institutions. We want to see positive signs that we will be at the core of any Emu."

He says monetary union is essential to ensure economic stability in Europe and to increase employment. He opposes relying on competitive devaluation as a way to manage the British economy. "It gives the wrong note," he said. "Our role as a relnctant participant in the EU has not served the country well."

The Labour party, which has close links with trade unions, is widely seen as more enthusiastic about the EU than the government. Bnt leading Labour figures have indicated that a Labour government would probably not sign up to join a single currency in 1999.

Mr Monks wants the country's employers to become "social partners" in the mainland European sense. "Social partnership cannot be imported intellectually," he said. "It must reflect a national will." But the EU will have to develop a much stronger commitment to reducing unemployment if it hopes for widespread popular consent to the introdnction of a single currency, he added.

Mr Monks wants unions to co-operate with employers to develop joint policies. He wants in particular a voluntary code of good labour standards in the best UK companies that would set an example for the rest of industry.

Mr Monks believes it may take some time to develop the kind of understanding he wants with employers. He also believes it will require the help of the EU and a future Labour government. But he said: "British industry has had it too easy in the past. It has too often taken the soft option. A single currency will require vigour and discipline."

The economy Cabinet expected to ratify rises soon

Fear of long pay conflict in public sector recedes

By Our Employment Editor

The 1996 pay round in the public sector may prove more trouble free than expected. Even senior union leaders believe the prospect of widespread industrial conflict among most of Britain's 5m public service workers over the coming months looks unlikely despite evidence of low morale and dissatisfaction among many of them.

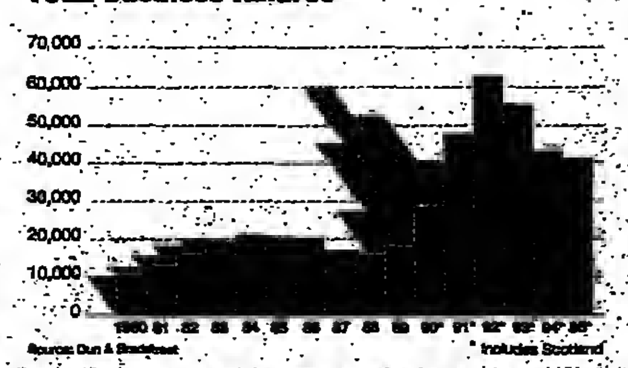
"If ministers show a little bit of flexibility they should be able to avoid trouble next year despite the existence of the public sector pay bill freeze", said Mr John Edmonds, general secretary of the GMB general union, which has many members in the state health service and in municipal authorities. "The government is running a funding policy not an incomes policy in the public sector," explained Mr Chris Trinder, chief economist at the Chartered Institute of Public Finance and Accountancy. "This means that ministers have the scope to improve pay by cuts in non-wage spending plans."

The cabinet is expected soon to ratify pay rises to be recommended by review bodies that cover 1.2m public service staff inclnding nurses, midwives, doctors, dentists, senior government officials, military personnel, judges and teachers even though they are expected to be above 3 per cent. Firefighters and police have already secured similar rises thanks to long-standing pay formulae that cover their pay. The rate of inflation fell from 3.2 per cent in October to 3.1 per cent last month.

The big set-piece negotiation in 1996 will be for the country's 1.5m local government workers with blue-collar workers and white-collar staff bargaining together for the first time.

Skill shortages: An increasing number of employers in the state health service and municipal government are finding difficulties in filling vacancies for skilled jobs, says an annual survey from Incomes Data Services, the independent research body. Most of the 76 health service organisations and a third of the 56 municipal authorities questioned said they faced problems recruiting and retaining employees. The most frequent shortages in the health service are for physiotherapists, occupational therapists and psychologists.

Total business failures



Fewer businesses failed in 1995 than in the previous year, but the rate of decline in the total is slowing, says Dun & Bradstreet, a leading business information group. While failures among small companies dropped, large company bankruptcies increased this year for the first time in three years. Dun & Bradstreet said many of the problems of large companies could be blamed on the recent decline in exports. The failure of large companies was particularly pronounced in London, and more than 6,000 failed in 1995 compared with 4,700 in 1994

UK NEWS DIGEST

Drugs link is alleged in Ireland killing

The man shot dead in front of his three-year-old son in Northern Ireland on Wednesday night was shot in the legs as a punishment by the Irish Republican Army seven years ago, police disclosed yesterday. An organisation calling itself Direct Action Against Drugs admitted responsibility for the killing in his Belfast home of Mr Martin McCrory, a 30-year-old small-time criminal described by police as e burglar and car thief with little involvement in drugs trafficking.

He was the sixth man shot dead in Northern Ireland since ceasefires were declared late in 1994 by the IRA and its anti-nationalist rivals. Mr David Trimble, lead of the Ulster Unionist party, said: "It is a matter of major concern that there now is a return to violence after nationalists assured us of a permanent peace. The government and those nationalists promoting the peace process must come clean on this. They have got to face up to what is going on and see how they can help the authorities bring it to an end." Mr Trimble's party is the largest pro-British party in Northern Ireland.

Most of the victims of the five previous killings were suspected drug dealers and the attacks were apparently part of a so-called republican purge. Republicans have also been blamed by police for 167 so-called "punishment beatings" since the IRA ceasefire. *PA News*

Opera house project not dead, say promoters

Trustees of the proposed Cardiff Bay opera house in south Wales said the project was not dead despite rejection last week by the Millennium Commission of their £50m ($78m) bid for funding. Miss Jennifer Page, the commission's chief executive, said the reasons for its decision included doubts about its financial viability. Miss Page said the bid had been looked at very carefully and "it was very sad to have to turn it down." *Roland Adburgham, Cardiff*

Two companies aim at London rail franchise

The London Docklands Light Railway, which is to be franchised to the private sector for seven years from next year, says it has received strong expressions of interest from two bus companies – Stagecoach East London and Central London Bus Company. Earlier this month, Stagecoach, Britain's largest bus company, bought South West Trains from the national state-owned network on a seven-year franchise. Potential bidders for the Docklands system, which is outside the national network, were concerned about the changing market. They said the pace of development in Docklands and the timing of the opening of the new Jubilee Line extension of the London Underground railway into the area would be beyond the franchisee's control. Docklands Light Railway acknowledged there were "certain risks" and said the franchise would be structured to place those risks on "the party best able to manage them", while the remuneration package would act as an incentive to the franchisee. The franchisee is likely to be chosen in the autumn.

John Authers, Public Policy Staff

Sales of tickets exceed $7.8bn in first 13 months

THE NATIONAL LOTTERY

Sales of National Lottery tickets have exceeded £5bn ($7.8bn) since their launch 13 months ago, said Camelot, the consortium which organises the lottery. Sales of weekly tickets have reached a total of £3.7bn while sales of the nine scratchcard gamee have totalled £1.3bn. Winnings so far have totalled £2.3bn and £1.3bn has been raised for good causes. The Treasury has taken £600m in tax from the lottery, and £250m has been paid in commission to the 28,000 retailers who sell tickets.

Words associated with the lottery are to be included for the first time in dictionaries of English. Chambers, Collins and the publishers of Oxford English Dictionaries say their next full editions will contain scratchcard and rollover. Chambers will define scratchcard as "a form of lottery card with a thin opaque film which is scratched to reveal the allocated numbers printed beneath". Rollover is the term used when the winning number for the top prize for a week is not bought so that the prize is added to the following week's top prize. "The impact of the National Lottery on the language has been remarkable and a number of spin-offs has occurred such as "scratchcard," said Mr Martin Mellor, editor of Chambers dictionary. *PA News*

Pollution by vehicles heads environmental worries

Air pollution by road traffic heads popular environmental concerns in the UK, says a poll by Friends of the Earth, the environmental pressure group. This was closely followed by pollution of water and air by factories and industry. When asked who should be responsible for solving the country's environmental problems, 73 per cent said the government. Industry and individual behaviour came equal second with 48 per cent.

David Lascelles, Resources Editor

Jack and Jessica reach the top: Jack and Jessica were the most popular names for babies born in Britain in 1995, says a survey by the Office of Population Censuses and Surveys of all births registered in the year. Jack and Jessica were third in the 1994 league. Lauren was second favourite for girls for the second successive year while Rebecca dropped from first in 1994 to third in 1995. Thomas fell from first to third in the boys' league. New entries to the top 50 were Kayleigh for girls and Charlie for boys.

The FT REVIEW *of*

"Straight along this road. You can't miss it. It's the big building with a rope ladder hanging over the wall"
Isle of Wight police officer, asked for directions to Parkhurst prison

"Those loan guarantees are about saving faces, fannies and fortunes of morons who, for the second time in a generation, plunged vast slices of America's wealth into Latin regimes – only to be fleeced and burned like country bumpkins."
Patrick Buchanan

"In criticising the political views of Patrick Buchanan, Mr Bennett said 'it's a real us-and-them kind of thing,' not, as we reported, 'it's a real S&M kind of thing.'"
The New Yorker

"Jill will go down in history as the Joan of Arc of veal."
Brigitte Bardot on Jill Phipps, killed during animal rights demonstration

"Hungarian meat producers merge, seek BSE listing."
Reuter

"The old lady inside the chalet got the shock of her life. It's not a common thing to have cows landing on your roof."
Coastguard spokesman in Branscombe, Devon

"I guess the lesson is that 79-year-olds shouldn't be Rollerblading."
Widow of retired US diplomat Angier Biddle Duke, who died during that pursuit

"Watch that Oprah woman and it just gives you ideas. Can't follow up on half of them, of course. Wish I'd known about them when I was a bit more agile."
Roland, 85, interviewed in Guardian about sex and the senior citizen

"My place looks like a bachelor flat, but that would be wrong. I don't think you can be a transvestita and a bachelor."
Comedian Eddie Izzard

"I've been to London today and the streets of London are full of fruits and vegetables."
Derbyshire greengrocer Brian Godfrey after being ordered to remove a pavement display

"I'm buggered if I'm going to spend the summer suing Bock."
Tiny Rowland abandoning a legal action against his erstwhile ally at Lonrho

"I hope members of the government use their intelligence... and keep their belt buckles fastened and their zips up."
Tory conference delegate Matthew Jeffery

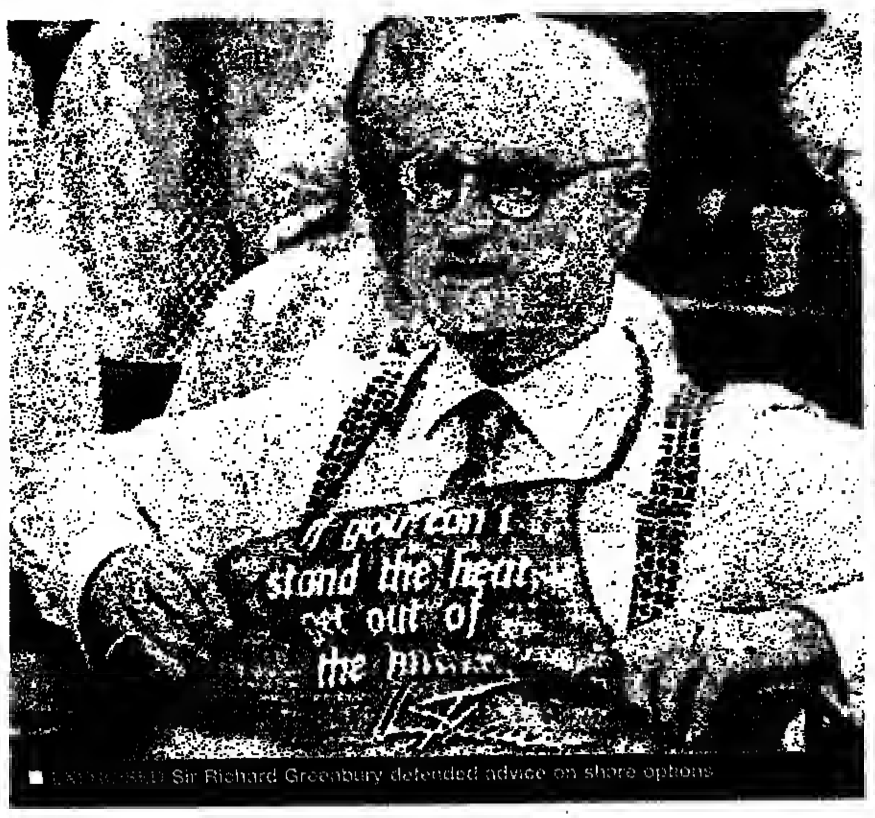
"From my husband and watching Channel Four."
Silvana Ashby explaining where she had learned the swear words discussed during the Tory MP's unsuccessful libel action

"It is time to put up or shut up."
John Major

"Brussels should let some sleeping dogs lie, and should learn that you cannot harmonise the dachshund and the English bulldog by cross-breeding."
John Redwood

"It would be an odd twist of fate to create a new One Nation party when you have destroyed your own."
Lord Prior reviewing Lady Thatcher's "The Path to Power"

"She's a fading old fascist as far as I'm concerned."
Australian legislator Richard Jones after walking out on Lady Thatcher



Sir Richard Greenbury defended advice on share options

Hate talk turned to violence in Oklahoma City

Disconnected
Lord Young
James Ross

Wrapped
Reichstag

Snappled
Quaker Oats

All-male productions
As You Like It
Swan Lake
Cadbury 2 committee

Out for a bout
Mike Tyson
Headbanger
Richard Holbrooke

Got on
Renato Ruggiero
Javier Solana
David Trimble

Got back
The Beatles

Got lost
Humphrey

New wine in old bottles
Aleksander Kwasniewski
Gennady Zyuganov
New Wiet in old battles
Jörg Haider

Hugh Grant gave the press a field day

Kobe earthquake shook Japan's confidence

Jacques Chirac succeeded François Mitterrand, but France found that plus ça change ...

Rugby triumph spanned racial divide

Non-starters
Dr Henry Foster
Schengen
Colin Powell
Non-finishers
Mick Newmarch
Edouard Balladur
Rudolf Scharping
Pete Wilson
Arlen Specter
Willy Claes
Robbie Williams

In a hole
Eurotunnel
In the pits
Coal Investments

Take or pay
British Gas
Take the pay
Cedric Brown

He, heb je nog werk?
Ruud Lubbers

Dywedwch hwnnw i barnwr Albanaidd, John Redwood
"Our country is based on one currency, one parliament, a common language, one common law."

Greenpeace was accused of rigging Brent Spar data

JANUARY

Newt Gingrich becomes the first Republican Speaker of the House in 40 years and celebrates by reading extracts from the Contract with America. Maurice Saatchi leaves Saatchi & Saatchi to found the New Saatchi Agency, while Andy Cole leaves Newcastle United for Manchester United for £7m, a record transfer fee involving a British football club. The figure is topped three times before the end of the year.

An earthquake in Kobe kills 6,000 people. No one had predicted the quake, in spite of the bundreds of billions of yen that Japan spends on earthquake research and safety measures eacb year. Russia destroys much of Grozny, getting the better of a war against Chechen separatists, while Mexico's December devaluation triggers a full-fledged financial crisis and a $50bn bail-out orchestrated by the US.

Sir Iain Vallance, £663,000-a-year chairman of Britisb Telecommunications, says be might find it "relaxing" to work a junior doctor's bours. Lord Wakeham, who was responsible as energy secretary for privatising regional electricity companies, joins the board of N.M.Rothschild, the merchant bank that advised those companies. S.G.Warburg starts what turns out to be its final year as an independent investment bank by pulling out of the Eurobond market that Sir Siegmund Warburg created 30 years before.

FEBRUARY

Barings collapses after it emerges that Nick Leeson, a 28-year-old futures trader from Watford, has hidden away £830m in losses on secret trades. Leeson flees Singapore for Malaysia. "It's all deeply borrid," says one executive.

Flooding on tbe Rhine continues, and forces about 250,000 people in western Europe to evacuate their homes. Newt Gingrich rules out standing for presideot. Nine months later be will announce that be is ruling it out again.

An embattled John Major asks for "time" and "trust" for talks on the future of Northern Ireland to succeed. Ulster Unionists proclaim the talks "dead" after a draft of the UK-Irisb proposals leaks, but talks drag on all year. England football fans cause a match against Ireland in Dublin to be abandoned by rioting while chanting "No surrender to the IRA". Dow Jones Industrial Average breaks 4,000.

Michael Heseltine, at this point still merely trade and industry secretary, kicks off a year of action in tbe utilities sector. He says he will not refer Trafalgar House's hostile £1.2bn bid for Northern Electric to the Monopolies and Mergers Commission. But Trafalgar loses heart and withdraws from battle, a retreat beginning a year-long rout for the conglomerate.

Punxsutawney Phil, the groundhog unspoilt by cinema fame, failed to see his shadow, auguring an early spring.

MARCH

ING, the Dutch banking and insurance group, buys Barings for £1, prompting one man to call Barings the next day and offer to buy it for £2. Nick Leeson is arrested at Frankfurt airport on his way back to Britain and spends most of the rest of 1995 in a Frankfurt jail.

Another man blamed for financial collapse is former Mexican president Carlos Salinas. As his economic miracle turns out to have been a mirage, he first starts a hunger strike and then flees abroad as tbe peso keeps falling. Anotber man travelling to the US is Gerry Adams, leader of Sinn Fein, granted a visa for a fundraising mission.

In the departure lounge, meanwhile, were Tiny Rowland, removed from the board of Lonrbo after 34 years running the company; Winnie Mandela, sacked from the South African cabinet by her estranged busband; and Rupert Pennant-Rea, who resigns as deputy governor of the Bank of England after an affair with a journalist, conducted partly within the Bank itself.

An embattled John Major has to defend Jonathan Aitken, chief secretary to the Treasury, against allegations that he was implicated in sales of arms to Iran. The High Court approves the merger betweeo tbe Halifax and Leeds Permanent building societies. A nerva gas attack on the Tokyo subway, allegedly carried out by the Aum Shinri Kyo cult, kills 12 people.

APRIL

A car bomb destroys a federal office building in Oklahoma City, killing 167 people. Media suspicion turns at first to Moslem fundamentalists, but later right-wing militiamen from the heart of America are arrested. US citizens discover that thousands of their compatriots are arming themselves against the government, which tbey think is trying to destroy tbe country. Meanwhile the dollar just keeps falling against the yen. It reaches new postwar lows, at times sinking below Y80.

Yet the US continues to enjoy low inflationary growth, as does the UK. Imperial Chemical Industries embodies the good fortune of mucb of British manufacturing, reporting a 137 per cent rise in pre-tax profits for the first quarter.

Despite this John Major remains embattled. After he restores the Tory whip to a group of MPs expelled from the party for Euroscepticism, they return saying they plan to keep fighting. Also, Labour finally abolishes Clause Four, its commitment to nationalisation. The government does celebrate "another triumph for deregulation", as it sweeps away a 200-year-old restriction on "public dancing" oo Sundays. Few Britons make immediate use of tbeir new freedom.

Bosnian Serbs and Moslems reject a United Nations appeal to exteod their four-mootb ceasefire.

MAY

British investmeot banking continues its vanishing act, as Swiss Bank Corporation takes over S.G.Warburg's investment banking business for £860m. Jacques Chirac takes over the French presidency from Francois Mitterrand, Carlos Menem becomes only tbe second Argentine president to be re-elected, and Will Carling is reinstated as England rugby captain after be is briefly sacked for saying tbe sport is run by "57 old farts", who seemed intent to live up to their billing.

There is less cheer for an embattled John Major, as in local elections the Conservatives lose 2,027 seats, almost half the number they contested. Major says resigning is "not on my mind".

When be visits Londonderry, clashes between Sinn Fein supporters and police compel him to change his schedule at the last minute. But Sinn Fein has its first face-to-face talks with tbe British government for 23 years; Martin McGuinness and Northern Ireland minister Michael Ancram do the bonours.

Intuit? Out of it, says Microsoft, dropping $2bn bid for US software bouse. Fugitive German financier Jürgen Schneider is arrested in Miami, with a tan wbere he once had a toupee. New Saatchi, agency set up by Maurice Saatchi, snares the Britisb Airways account from Saatcbi & Saatchi. Blackburn Rovers win England's football Premiersliip.

JUNE

Fed up with being embattled, John Major resigns as Conservative Party leader and tells his critics within the party to "put up or sbut up". Ha may have been expecting a challenge from an exiled no-hoper such as Norman Lamont, but the man to put up is beavyweight Welsh secretary John Redwood, who resigns from the cahinet to stand. Douglas Hurd compounds Major's worries by resigning as foreign secretary. Britons are more interested in Hugh Grant, the actor arrested for performing a "lewd act" in a car in Los Angeles.

Japan admits that problem loans at its banks total Y40,000bn, about 10 per cent of its GDP and far worse than previously thought. ITT, the US corporation that embodied the conglomerate, says it is to split into three parts.

Shell, bowing to public pressure, shelves its plan to sink the oil storage platform Brent Spar in the Atlantic. The company apologises to John Major, who had defended the sinking. Salomon Brotbers also bows to pressure, abandoning a plan to cut salaries of its highest earners by as mucb as two-thirds after some of the high earners resign.

South Africa wins the rugby World Cup, and Nelson Mandela appears on the field before the final wearing a Springbok jersey. The Financial Times starts printing in Leeds.

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Banks to acquire 6% of Mediaset

A consortium of Italian banks is expected to agree by Saturday to buy 6 per cent of Mediaset, the company containing the television interests of Mr Silvio Berlusconi's Fininvest business empire. A seventh bank, the state-owned BNL, has indicated it would like to buy a stake of about 1.5 per cent through Albacom, the joint venture it formed earlier this year with British Telecommunications. Page 14

Bloomingdale's chain heads west
Federated Department Stores, US owner of Bloomingdale's and other department store chains, plans to launch its upmarket Bloomingdale's format in California next year in what will be only the second time the Bloomingdale's chain will have ventured west of the Mississippi river. Page 14

French TV chief takes starring role
Mr Patrick Le Lay may not look much of a media star, but the chairman of TF1, the commercial television station which gathers the highest audiences in France, has recently had his fair share of time in the spotlight. Page 14

Canada's retailers in Christmas doldrums
The atmosphere in Canada's shopping malls has been as frantic as usual this festive season. The difference is that most of the pushing and pleading has come not from shoppers seeking last-minute gifts, but from retailers desperate for sales. Page 16

Importers embark on feudal rule crusade
Commodity importers are to meet representatives of UK ports next week to try to convince them to remove from their rule books a medieval practice, which allows ports to impound a cargo to offset a shipowner's debts, even though the cargo is legally owned by the importer or exporter and not tha shipping line. Page 17

Land Rover output leaps on overseas sales
Land Rover, the four-wheel-drive vehicle maker owned by BMW of Germany, surpassed its own forecasts and built more than 127,000 units this year. The 35 per cent rise on 1994 levels reflects strong growth in overseas demand. Page 18

Granada to campaign on Forte bid rationale

Granada is planning a campaign next week to remind Forte's shareholders of the reasoning behind its £3.3bn ($5.08bn) hostile bid for the UK's biggest hotels group. "When you get back to the basics we have put a very attractive offer on the table," said Mr Charles Allen (left), chief executive designate of the television, catering and leisure company. Forte described Granada's offer as inadequate, and repeated its jibe that Granada was turning itself into a conglomerate. Page 18

LAL agrees sale of German offshoot
Lloyds Abbey Life has sold its lossmaking German subsidiary, Transatlantische Lebensversicherungs, ending a three-year search for a buyer. Page 18

Companies in this issue

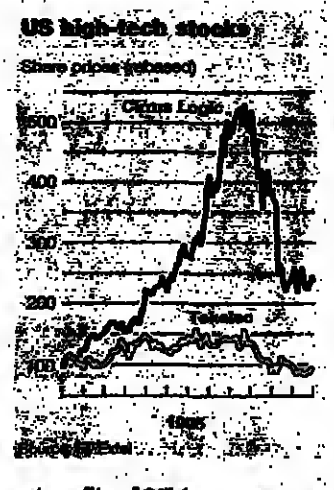
Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Altana	834.5	+	8.5	CGIP	947	+	9
GEHE	729	+	14	Danone	801	+	19
Hochtief	618	+	11	Elf Aqt Cris	325	+	13
Porsche	729	+	8.5	SILIC	716	+	26
Wella	775	+	13	**Falls**			
Falls				Banc Comp	545	−	7
Heidelb Zem	880	−	18	Canal Plus	916	−	9
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Echostar.com	24	+	3⅛	Ishih Chem	722	+	25
Utah Med	18¼	+	3⅜	Mazda Mtr	452	+	22
Falls				NTN	710	+	31
Cirrus Logic	20⅞	−	6⅛	**Falls**			
Natl Hlth Ent	9	−	8	Dai Tokyo F&M	778	−	31
Synagro Tech	9⅛	−	3⅛	Hino Motors	872	−	29
Tekelec	9⅜	−	3⅜	Toyo T&B	920	−	35
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
Amersham	932	+	29	JCG Hldgs	5.9	+	0.30
Calor	256	+	14	Lucky Man.	6.15	+	0.51
Copyright	105	+	15	New Island	1.1	+	0.15
Schroders	1348	+	38	**Falls**			
Vaux	284	+	14	China Foods	1.25	−	0.36
Falls				S/S Dragon	1.27	−	0.17
Amstrad	191½	−	28	Top Glory Int	0.83	−	0.12
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
Consumer Pck	7⅛	+	⅜	Italthai	90.0	+	9.0
QLT Photother	10¾	+	½	Siam Com Life	47.0	+	4.25
Telmax A	5⅝	+	⅜	Thai Glass	127.0	+	11.0
Falls				**Falls**			
Glacial	11	−	1½	Bangkok Union	45.75	−	4.25
Lsi Lab Ant	11	−	1	Thai Pradst	150.0	−	10.0
Metalore Res	7	−	1¼	Varopakorn	37.5	−	32.0

New York and Toronto prices at 12.30pm.

US technology shares plunge after warnings

By Richard Tomkins in New York



Technology stocks took a battering on Wall Street yesterday after two US technology companies warned profits were behind analysts' expectations.

Cirrus Logic, which makes graphics and audio chips for personal computers, announced after Wednesday's market close that it expected earnings of 13-19 cents a share in the quarter to December, far below the consensus forecast of 44 cents. It followed with an announcement yesterday that it would delay a planned stock and debt offering.

Tekelec, which makes diagnostic equipment and network switching solutions for the telecommunications industry, warned, after Wednesday's close, that earnings per share would be about zero in the quarter to December instead of the 21 cents a share predicted by analysts.

Yesterday both companies' shares plummeted in early Nasdaq trading. Cirrus Logic fell 23 per cent from $26⅞ to $20⅞, while Tekelec fell 40 per cent from $15⅞ to $9⅞. Other technology stocks were drawn down with them.

Cirrus Logic has grown in the last few years because of rapidly rising sales of PCs and increasing demand for more sophisticated graphics. In the year to April 1995, it made net profits of $61.4m on revenues of $889m, up from net profits of $45.4m on revenues of $557.3m the year before.

However, in the latest announcement it said revenues and operating profits in the quarter to December had suffered from softer than expected business conditions in Taiwan and slower than anticipated rate of growth in the home PC market. In last year's quarter to December, Cirrus Logic earned $14.5m after tax, or 46 cents a share.

Tekelec said the domestic diagnostic equipment market softened in the in the six months to December. In last year's quarter to December, Tekelec reported earnings of $2.1m after tax, or 20 cents a share.

Amstrad chief resigns after disagreement

By Paul Taylor in London

Mr David Rogers, chief executive of Amstrad, the UK electronics, computers and telecommunications equipment group, has resigned after a boardroom disagreement over the company's lossmaking consumer electronics business.

Mr Rogers, brought in by Mr Alan Sugar, Amstrad's chairman and largest shareholder, in August 1994, had been credited with helping to turn round the group. His departure hit Amstrad shares in London, which lost 13 per cent of their value yesterday, plunging 28½p to 191p. The shares have fallen by nearly one third in the past month.

Yesterday's announcement came seven days after the board approved the rationalisation and learned of Mr Rogers' decision to resign. The London Stock Exchange said it required companies to disclose price-sensitive information to shareholders within 24 hours of announcing it to the board. It refused to comment on Amstrad.

Amstrad said yesterday Mr Rogers would "leave the board and company on January 12". It said his departure followed a recent board decision to scale down and restructure the Amstrad consumer electronics (Ace) business.

The board said the moves followed a review of Ace's prospects. Ace, which accounts for about a fifth of Amstrad's turnover, has lost money in the past three years. Mr Rogers, who was appointed in part to sort out problems in consumer electronics, disagreed with the decision.

Lex, Page 12; Details, Page 18

French accounts criticised by study

By Andrew Jack in Paris

More than one third of France's top 100 companies fail to provide adequate financial information in their most recent accounts, according to a specialist study by five leading French accounting and consulting firms.

Many of their 1994 annual reports provide insufficient information, a lack of meaningful comparisons and an incoherent presentation of results, says the study published yesterday.

Of the total, 36 companies produce information which is judged unsatisfactory, sometimes failing to meet statutory accounting requirements and often giving the appearance that the annual report is little more than a legal obligation.

The study comes amid growing pressure to reform French accounting standards from shareholders, analysts and many within the profession.

Mr Jean Arthuis, the French economics and finance minister who is an accountant, recently announced additional funding for the CNC, the national standards-setting body, which is shortly to publish revised proposals designed to bring reporting more in line with international rules.

The new criticisms come from specialists in the highly-regarded firms of Cauvin Angleys Saint-Pierre, Deloitte Tonche Tobmatsu, Ernst & Young Audit, Groupe Chaussumier Conseil, and Mazards & Guerard.

In their study, the authors concede that there has been "a big step" forward in financial reporting since they first carried out a study 10 years ago.

However, they say only one quarter of the 100 leading French industrial, commercial and service companies meet the standards of good international practice – up from 15 in 1986.

A further 39 reports offer information which is "complete" but which has no real "value added", such as details on cash flow, results by activity or an assessment of risks on financial instruments.

The antbors say French accounting practice has not evolved fast enough to cope with emerging problems such as derivatives and has not used the standards to come up with the most suitable interpretations.

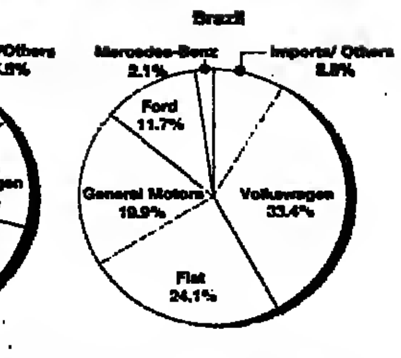
L'information financière 95: 100 groupes industriels et commerciaux. Editions CPC. 8 Chemin des Prés, Zirst – 33240 Meylan. FFr400.

Ford and VW are parting company in S America

Don't cry for me, Autolatina

End of the road for joint venture

Market Share (Jan-Sep 1995)



Source: Volkswagen

So, farewell then, Autolatina, unloved offspring of a forced marriage between Ford and Volkswagen in South America, to be terminated on December 31, leaving both partners to go their separate ways.

The parting will cause few tears at the Detroit or Wolfsburg headquarters of the two companies. Nor will it be noticed by the millions of Ford and VW drivers in South America. Even in the hey-day of Autolatina, launched in mid-1987, the two companies retained separate identities – despite the fact their cars came off shared assembly lines.

The divorce of one of the world's biggest motor industry joint ventures has been a different story on the production side. The task of dividing a two-country partnership owned by two leading car companies, with 14 plants and more than 50,000 employees, has been a field day for the accountants.

Matters have been complicated by the fact that Ford and VW will continue to depend on each other as many of their products are hybrid models based on supplies from both partners.

Earlier fruits from the joint venture betrayed their origins visually, in spite of their badges. The Ford Versailles, a big saloon much favoured as a taxi, is clearly a VW Santana with a different front and back.

More recent cars have been more stylish – and better at concealing their birth. It would be hard to tell VW's Logus and Pointer are based on the Ford's European Escort saloon. Had Autolatina continued, its next project might have been a compact hatchback for Ford, drawing heavily on the VW Gol, (itself a derivative of the Polo in Europe), with a hint of Ford's Fiesta.

Such blueprints were never to see the light of day following the partners' decision that Autolatina had outlived its usefulness. Although the formal separation comes next week, a *de facto* divorce took place on March 31, meaning Ford and VW are already operating independently.

Autolatina probably had the cards stacked against it from the start. It originated in the difficult economic political conditions of the mid-1980s, when demand for cars in Brazil and Argentina – South America's two main markets – was plummeting and losses were rising. Joining forces seemed ideal to remain active in important markets, which were going through a deep, but temporary, crisis, and to split future investments. Moreover, the process had to be conducted against a background of hyper-inflation and authoritarian military regimes, followed by unstable young democracies.

The task was daunting. Ford and VW were contributing existing facilities and entrenched managements. Their corporate cultures were miles apart. So functions were divided with Ford in charge of finance and marketing and VW running product development and production.

That Autolatina survived so long is a credit to those involved. But even its warmest supporters do not claim it was ever more than a marriage of convenience. Not only was the gulf between the Ford and VW mentalities immense, "the two parents so dwarfed their offspring it was impossible to develop any sort of attachment to Autolatina itself", says one manager.

Financially, the venture acquitted itself well, with productivity rising sharply during its short existence. Production, which hit 546,000 units in 1988, rose to 583,500 in 1993 and 627,000 in 1994 as economic liberalisation in Argentina and Brazil took effect.

Yet the rise in demand sounded the death knell for Autolatina. As economic reforms in Brazil and Argentina started to bite and the car market took off, the reasons for the joint venture diminished.

The creation of the Mercosur free trade area was decisive. Ford and VW are among the leading exponents of integrated international operations. Opening once-closed markets in South America meant their local offshoots could be brought into group strategy much more closely than in the past. And as trade liberalisation meant greater competition from new importers, the two companies were also keen to take direct responsibility for their affairs.

However, terminating Autolatina was a tricky business. VW, whose 51 per cent shareholding reflected the greater resources contributed at the outset, took the initiative. Although once weaker than Ford in the smaller Argentine market, it dwarfed its partner in Brazil.

So when demand started to revive, Brazil, with its much greater size and population, had the greater commercial potential.

But persuading Ford to part company required incentives. VW's managers will not comment on the settlement terms nor indicate the bonus negotiated when VW brought forward the split. However, the terms negotiated by Ford are believed to have been very favourable, as both sides recognised the timing was not ideal for the US partner.

The end of Autolatina leaves Ford under-represented in Brazil and a latecomer as a local manufacturer of popular compact cars. While VW, whose Gol is the best-selling car in Brazil, has announced a $2.5bn spending plan on new models and factories, Ford is still working on launching the Fiesta in the region. Its consolation is that the price extracted from VW reflects that inconvenience.

Haig Simonian

1995 has seen UK groups rediscover a taste for bids

Takeover buzz awakens memories of a golden age

It was like the 1980s. In fact, 1995 was even better than that buoyant decade in terms of UK takeovers and mergers. According to James Capel, the brokers, almost £41bn ($63.5bn) of takeovers have been completed, or are pending, this year.

The late 1980s was probably the golden age of the takeover when, from 1986 to 1989, the value of deals topped £10bn. But recession, and the financial burdens assumed by many companies in the boom years, led to a dearth of takeovers in the early 1990s.

According to Mr Mark Brown, head of strategy and economics at ABN-Amro Hoare Govett, the securities house, in 1995 UK companies have had the means, motive and opportunity to return to the takeover trail.

The *means* has been provided by the much-improved financial position of the corporate sector. After incurring heavy debts in the late 1980s, debts which caused problems in the early 1990s recession, companies have paid attention to rebuilding their balance sheets. Mr Brown estimates UK companies had a record cash surplus in 1994.

With interest rates low, there is little incentive to keep the cash in the bank. Companies could use their funds to invest in new plant and equipment, of course. But Mr Mark Tinker, UK analyst at James Capel, says companies are "profitable but nervous. They are uncertain about future demand, so they're using their cash to pay extra dividends, buy back their shares; and make takeovers."

The *motive* behind the deals has tended to be the need for industrial restructuring, rather than the financial engineering that marked many of the 1980s bids. An obvious example is the pharmaceuticals industry, where the cost of researching and developing drugs weighs heavily on individual companies; this year has seen the takeover of Wellcome by Glaxo and of Fisons by Rhône-Poulenc Rorer.

Mr Tinker says that control of costs has motivated about two-thirds of the year's takeovers (in terms of market capitalisation). When Lloyds Bank and TSB agreed to merge, for example, they estimated they could save about £350m annually within four years.

The motive behind deals has tended to be the need for restructuring

With economic growth relatively sluggish and low inflation making it much less easy to raise prices, companies find it easier to increase profits by cutting costs than by growing sales.

The *opportunity* may have been seized by companies because of the imminence of a UK general election, with the Labour party the most likely victor. Labour is likely to look less kindly on takeovers in politically sensitive sectors such as the utilities, which have been one of the mainstays of bid activity this year.

The Conservative government has referred a couple of electricity bids to the Monopolies and Mergers Commission but most takeovers, such as Hanson's offer for Eastern, tha electricity distributor, have been waved through.

Mr Tinker says: "There is also a concern that it will be less easy to enact post-merger rationalisations (ie redundancies) under Labour."

All this takeover activity has given a substantial lift to the UK stock market, allowing the FT-SE 100 Index to record several all-time highs this year. Not only do takeover bids force up the prices of the targets, Mr Tinker says that about £27bn of the £41bn paid as consideration has been in the form of cash. Shareholders in the target companies who received that cash are likely to have reinvested it immediately into the equity market, giving a further boost to share prices.

With takeover activity concentrated on a relatively small number of large deals, it has been vital for fund managers to be invested in the target stocks. That has encouraged a climate of speculation, with leading stocks regularly lifted by rumours of bid approaches.

The climate appears reasonably buoyant for takeovers in 1996; interest rates are still low and companies relatively flush with cash. Those trying to beat a general election deadline have a little over a year to do their deals.

The recent Granada bid for Forte had more of a 1980s feel; a takeover which would leave the predator heavily geared and needing to sell assets. If the bid is successful, other companies may be tempted into following Granada's example.

ABN-Amro's Mr Brown says that he will be surprised if takeovers are as strong in terms of total value in 1996, but he thinks activity will broaden out to include a wider range of companies than in 1995.

Philip Coggan

NEWS DIGEST

Gaz de France chairman named

Mr Pierre Gadonneix was yesterday formally named the new chairman of Gaz de France, the state-owned gas utility company. His appointment, confirmed by the ministry of industry, follows the decision to appoint his predecessor, Mr Loïk Le Floch-Prigent, to be bead of SNCF, the French national railway company.

He will be officially proposed as a candidate to the government by a board meeting on January 2, and his appointment is expected to be ratified the following day by the French cabinet. Mr Gadonneix's nomination is unusual partly because he is an internal candidate, whereas many recent French companies – in the private as well as the public sector – have preferred to recruit people from outside.

Born in New York and a graduate of Harvard Business School and the elite Ecole Polytechnique in Paris, he joined Gaz de France as managing director in 1987 after working for the French industry ministry. *Andrew Jack, Paris*

Hollinger expands in Canada

Hollinger, the publishing group controlled by Mr Conrad Black, has expanded its presence in Canada by buying 14 daily and weekly papers in the prairie provinces of Saskatchewan, Manitoba and Alberta. Terms of the deal were not disclosed. Each of the two dailies included in the transaction, the Regina *Leader-Post* and the *Saskatoon Star-Phoenix*, has an average circulation of about 65,000. The vendor is Armadale, a family company based in Saskatchewan.

Following the deal, Hollinger's stable will include 162 dailies and 474 other papers, mainly in North America, the UK and Australia. Hollinger is the controlling shareholder in the UK's Telegraph group and has a minority stake in Southam, Canada's biggest daily newspaper chain.

Bernard Simon, Toronto

Suncor in Australian accord

Suncor, one of western Canada's two oilsands producers, is working with two Australian partners to test new technology to bring the big Stuart oil ahale deposit near Gladstone, Queensland, to production. Suncor will spend C$7m (US$5.15m) on preliminary engineering.

By late 1996 Suncor and partners, Southern Pacific Petroleum and Central Pacific Minerals, will decide whether to proceed with a small commercial plant with daily capacity of 4,500 barrels and costing about C$200m. Suncor would receive a 50 per cent interest for a C$65m investment. Later stages would raise output to 85,000 barrels daily within 10 years. This would require investment of about C$2bn.

Suncor, formerly controlled by Sun Oil of the US, is spending $1bn over the next five years to increase synthetic and conventional oil output in western Canada. It now produces 75,000 barrels daily of synthetic oil from its Alberta oilsands plant which started up in 1965. It also operates downstream in eastern Canada. *Robert Gibbens, Montreal*

France Télécom voice mail move

France Télécom, the state-owned telecoms group, announced that a voice mail service would be in operation in all its card-operated public phone boxes by the middle of next year.

For a fee of FFr4.05, callers from the country's 158,000 card pay-phones will be able to leave a recorded message of up to 30 seconds for the person they are ringing if the line is occupied. They can choose up to four times in the future when the number they tried will be called again automatically and the recorded message played back over the phone.

The service is already experimentally in place in a number of phone boxes. There are 208,000 pay phones in France, taking 1.3bn calls this year. Slightly more than three-quarters of the phones are card-operated. *Andrew Jack*

Federated to take up-market chain west

By Richard Tomkins in New York

Federated Department Stores, US owner of Bloomingdale's and other department store chains, plans to launch its up-market Bloomingdale's format in California next year – a rare foray west of the Mississippi for the Bloomingdale's chain.

The company named four locations in California where it expects to open Bloomingdale's stores in November 1996, bnt also announced it was shedding 1,559 johs as part of a rationalisation of its store portfolio on the west coast.

Bloomingdale's is one of the best known names in US retailing. At present, it operates 18 department stores in nine states, but all except one – in the Mall of America in Minneapolis, Minnesota – are east of the Mississippi.

The opportunity to take the Bloomingdale's format into the west arose in October when Federated Department Stores completed its $574m acqnisition of Broadway Stores, a Los Angeles-based chain of 82 department stores, mostly in California.

The group is now in the process of assimilating the Broadway chain into its existing formats. Some 46 stores will be converted to the Macy's format and at least four will be converted to Bloomingdale's. Nine stores are being sold to Sears Roebuck, 12 will close in the next year, and the future of the rest is undecided.

Federated has taken a leading role in the recent consolidation of the US department store sector.

Its acquisition of Broadway followed soon after its coup in taking over the rival R.H. Macy chain, then in Chapter 11 bankruptcy protection, at the end of last year.

Federated's acquisitions have greatly increased the group's size and earnings power.

The Macy's format is already well established west of the Mississippi. But some analysts have questioned whether the Bloomingdale's concept, until now unfamiliar in the west, will translate well to the Californian market.

Banks near agreement on Mediaset deal

By Robert Graham in Rome

A consortium of Italian banks is expected to agree by Saturday to buy 6 per cent of Mediaset, the company containing the television interests of Mr Silvio Berlusconi's Fininvest business empire.

Six banks, headed by IMI, the merchant bank, have already pledged to purchase stakes worth aome L400bn ($253m) and underwrite further shares to help the flotation of Mediaset in 1996.

IMI said that with the formal commitment of the last of the six banks, Monte dei Paschi di Siena, it would be possible to tie up all the main outstanding matters related to the consortium before the year end.

A seventh bank, the state-owned BNL, has indicated it would like to buy a stake of about 1.5 per cent. However, it has proposed that this be done through Albacom, the joint venture it formed earlier this year with British Telecommunications to operate and develop the BNL group's extensive telecoms network.

BNL said yesterday this showed that the bank viewed the investment with "industrial logic".

BT was approached just before Christmaa and has asked for time to consider the deal. A decision is unlikely before mid-January. But BT's presence in Mediaset, albeit through a small joint-venture stake, would add a new dimension to the direction of the TV group's development strategy.

The Italian banks now involved apart from IMI are Banca di Roma, Monte Paschi, San Paolo di Torino, Commerciale Italiana and Cariplo.

The cash injection would be included in Fininvest's 1995 accounts, allowing debt to be cut from its 1994 level of L3,200bn. It will also pave the way for foreign institutional investors to acquire shares in Mediaset before flotation, scheduled for mid-1996.

The involvement of the banks is the second stage of a complex operation under which Mr Berlusconi aims to bring in outside shareholders for his three commercial television channels and his profitable Publitalia advertising arm. Mediaset is expected to make a L380m net profit this year, on a L3,300bn turnover.

Mr Berlusconi's aim is to lower his stake and that of his family to less than 50 per cent, and move towards flotation of Mediaset to avoid a conflict of interest with his position as a politician. But the operation has been criticised for its lack of transparency and because Mr Berlusconi will retain effective control.

Mr Berlusconi's opponents also claim that banks, most of whom still have some form of state ownership, are abusing the spirit of the 1990 television licence law by taking direct stakes.

The first stage of the operation took place in July when two of Mr Berlusconi's existing TV associates, Mr Leo Kirch, the German TV magnate, and the Rupert family of South Africa, agreed to take up to 20 per cent with Saudi prince al-Waleed bin Talal bin Abdul for a total of L1,800bn.

It is not clear how much of this money has already been paid.

French engineer with vision for the future

TF1's chief is confident his TV station is moving in the right direction, reports Andrew Jack

Mr Patrick Le Lay may not look much of a media star, but the chairman of TF1, the commercial television station which gathers the highest audiences in France, has recently had his fair share of time in the spotlight.

This autumn be threatened legal action against a competitor over the latest attacks on the quality of TF1's programming. Later, he was in the headlines again after spending nearly two days in police custody in connection with an investigation into alleged corruption.

Mr Le Lay looks much like the rational engineer of his training. Ha made the leap from engineering to media ahortly after his long-time employer Bouygues, the construction group, acquired the largest stake in TF1 when it was privatised in 1987.

But when he starts talking, it is clear that much of the flamboyance of television has helped colour his language.

No subject angers him more than the role of the French state in influencing the structure and operation of the television industry. "I don't think it would happen in Anglo-Saxon countries," ha says. "You need a doctorate to understand it all."

He suggests the country's complex system of television production and broadcasting quotas was created by "madmen". He rattles off the government's requirements – that be invests 23 per cent of turnover in French productions, ensures that 40 per cent of films he hroadcasts are French, and that no films are shown on Wednesday, Friday or Saturday (to prevent damage to the cinema and film industries).

He complains thet the state prevents TF1 from offering regional news hroadcasts, a hlock not placed on France Télévision (the state-owned body controlling France 2 and France 3, the two public channels), which he says operates without the "ohligation to make profits".

Such restrictions clearly have an effect in the battle for ratings – and hence for advertising revenue. TF1 remains the market leader, claiming 38 per cent of all viewers during the first half of the year, but the proportion has declined from 43 per cent in 1990.

For some time TF1 managed to retain its advertising revenues in spite of this fall, in what one analyst describes as a "Houdini trick".

That has changed. Income from advertising rose 4.4 per cent in the first half of the year to FFr3.8bn ($776m), hnt the market has been growing faster – at about 6 per cent. Mr Le Lay replies that one reason has been "dumping" by France 3, offering rates 20 per cent below those of TF1.

Some say TF1 has sought to win back market share by broadcasting ever more popular and vulgar programmes – a policy of "bum, hum and bum" regularly mocked on the *Guignols* satirical puppet show broadcast hy Canal Plus, TF1's encrypted rival.

Mr Le Lay suggests many of the critics of TF1 are on the political left and have never come to terms with the channel's privatisation.

"When our ratings fall from 40 per cent to 37 per cent we are criticised, hut whan another channel shows a modest rise it is seen as a success," he says.

As for the jesting from Canal Plus, which he calls "obsessional", he has replied robustly by starting legal action against the group.

Mr Le Lay also argues his channel broadcasts more "fiction" than its rivals – although tha quality of such shows is open to debate. He maintains that the television of the future will be dominated by three themes: news, fiction and talk shows and quizzes.

It is in this latter category of "Americanised", highly popular and cheap studio-based broadcasting that the channel has been touched by corruption allegations.

These include suggestions that TF1 paid FFr10m in cash to a former head of the state-controlled lottery organisation in an effort to extend the exclnsive rights to transmit the results twice a week.

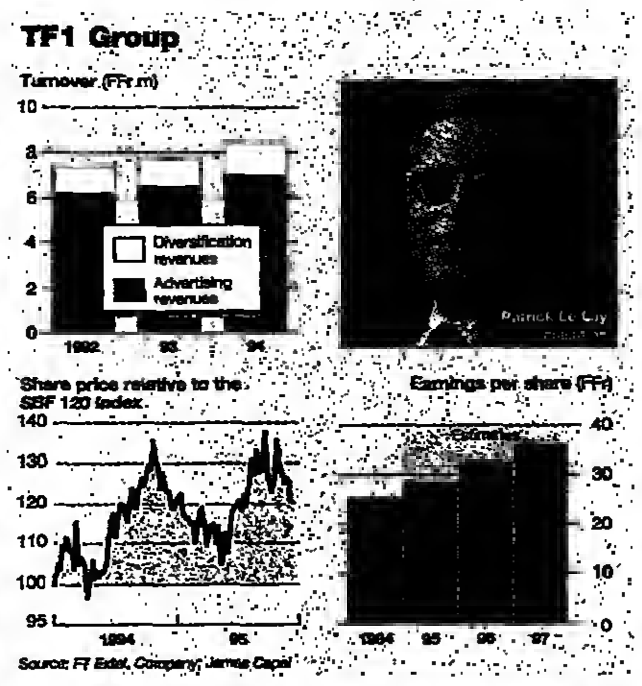
Mr Le Lay will not discuss these allegations, although earlier this year he flatly denied them as "grotesque".

For the future, Mr Le Lay says he is "serene" about the company's financial position. He adds that in a reflection of its confidence in the future, he expects Bouygues gradually to increase its 37.5 per cent stake to about 40 per cent.

But Mr Brendan Hoey, analyst at Morgan Stanley, says: "We remain cautions in the long term." Operating costs have been rising, he argues, at a time when advertising revenues have been falling, and be raises questions about potentially high-risk investments in digital hroadcasting.

Meanwhile, Mr Le Lay pledges his commitment to two specialist niches within cable television. TF1 relaunched Eurosport in 1991, which he predicts will be profitable in 1996. Last year, it also started LCI, a news channel, which he estimates will be in the black within five years.

Yet be remains convinced that "there will always be a future for generalist television". He says: "There is a limit in bousehold budgets for paying snbscriptions. We are not in trouble."



Source: FT Extel, Company; James Capel

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

US long bond yield flirts with 6%

By Maggie Urry in New York and Richard Lapper in London

The US Treasury 30-year long bond continued to flirt with a 6 per cent yield yesterday in thin post-holiday trading, with the yield just dipping below the figure in morning trading.

The long bond yield almost broke through the 6 per cent level earlier this month but backed away. Long-dated yields have not held below 6 per cent since late 1993.

Near midday the long bond was $\frac{1}{16}$ higher at $112\frac{1}{16}$ to yield 5.995 per cent. At the short end of the maturity spectrum the two-year note added $\frac{1}{16}$ to $100\frac{1}{32}$ to yield 5.200 per cent.

Activity was low as many investors bad alreedy positioned tbeir portfolios for the year-end before the boliday season began.

Traders lacked economic statistics to give direction to the market, as tbe government shutdown continued to delay the publication of data.

However, dealers found aigns of a slowing of the economy in other statistics. A deceleration of activity is fevourable for bond prices as it could encourage a further cut in interest rates.

GOVERNMENT BONDS

Thursday usually brings weekly initial unemployment claims figures. However, the bond market could take some encouragement from indications of a slowing jobs market, as the Conference Board's "help wanted" index showed a decline in job advertisements in November. The index fall from 131 in October to 127 in November.

A fall in the American Production and Inventory Control Society's businesa outlook index in December from 44.8 in November to 43.8. APICS said the decline largely occured in the future components of the index, which include new orders and production plans.

■ The Bank of England yesterday announced plans to extend the maturity range of government stock early in 1996.

A new long-deted stock – with a maturity of 2020 or longer – will be auctioned on February 28 next year. The UK's longest-dated existing stock – which matures in 2017 – was issued in April 1992.

Tha Bank also announced the auction on January 31 and March 27 of two shorter-dated gilts, carrying a maturity range from 2000 to 2002. Gilt-edged markat-makers expressed interest in the issue of a new ultra-long stock at a meeting with the Bank of England earlier this month.

Institutional investors such as pension funds and insurance companies have been pressing for the issue of longer-dated paper, which they use to match long-term liabilities.

■ UK government bonds gained ground in very thin trading yesterday, in line with other European government bonds. The March 10-year gilt future closed up $\frac{1}{32}$ at 110¾. Only 6,403 contracts were exchanged, however.

German March 10-year bond futures gained 0.09, settling on Liffe at 99.24.

The French bond markets posted gains for the fourth consecutive trading day, with the March notional future up 0.06 et 120.36.

The market was unmoved by news that the Bank of France had opted to leave its intervention rate unchanged at 4.45 per cent.

The March Pibor contract gained 0.08 to settle at 94.95.

Poor season for Canada's retailers

Disappointing Christmas capped a difficult year, says Bernard Simon

The atmosphere in Canada's shopping malls has been as frantic as usual this festive season. The difference is that most of the pushing and pleading has come, not from shoppers seeking last-minnte gifts, but from retailers desperate for sales.

"It's been the worst Christmas season I've seen in a non-recession year," says Mr David Brodie, analyst at Wood Gundy in Toronto. In fact, he adds, "it's as bad as a recession".

Brisk sales in the traditional post-Christmas bargain hunting have been a small consolation for retailers.

Price-cutting began with a vengeance in early December: by the week before Christmas, even wrapping paper was on sale at rock-bottom prices.

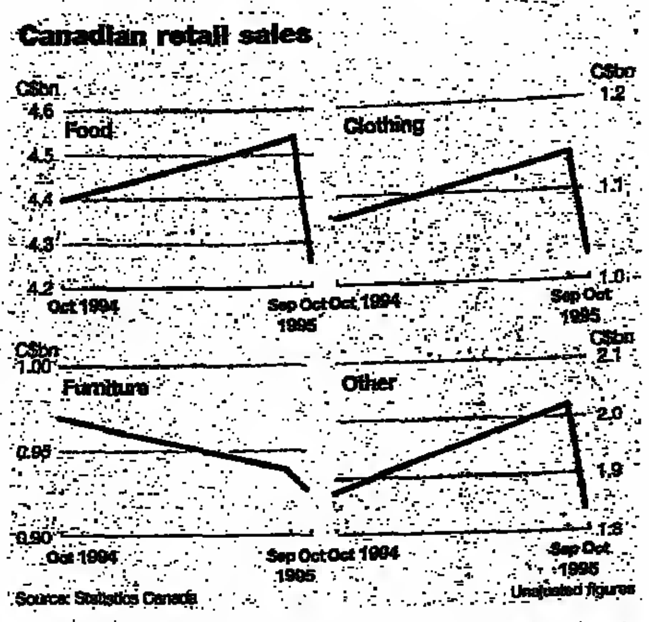
Mr Jim Nichols, president of Intertan, a Texas-based company with 870 Radio Shack electronic equipment stores in Canada, says that his chain is not normally a discounter. But be adds, "if someone else is making a lot of noise, you've got to make a little".

The disappointing Christmas season has capped a difficult year for Canadian retailers. Shares of Hudson's Bay, which owns some of the biggest retail chains, slumped to a low of C$19.13 earlier this month after the company reported unexpectedly weak earnings of 4 cents a share for the three months to October 31, down from 50 cents a year earlier.

Mr James McLeod, an analyst at Richardson Greenshields, has cut his forecast for The Bay's fourth quarter from C$1.83 to C$1.35 a share, and urged investors to sell the stock.

Christmas has brought home to the retailers what economists have known for aome time; that Canadian consumers are neither willing nor able to indulge themselves.

Retail sales slipped by 0.7 per cent in October, the latest figures available. "There were absolutely no redeeming features," concluded Ms Sherry Cooper of Nesbitt Burns.



Clothing sales fell for the fourth consecutive month and year-on-year furniture sales ware down 4.6 per cent. According to Radio Shack's Mr Nichols, computer sales have been slow, with buyers resisting the latest wave of high-priced machines with powerful Pentium chips.

A soft jobs market, high household debts and accelerating public spending cuts, especially in Ontario, have all discouraged Canadians from opening their wallets.

The national unemployment rate is currently 9.4 per cent. Ontario'a recently-elected Conservative government has cut welfare payments by 21 per cent and is expected to lay off thousands of civil servants in 1996.

Political uncertainty stemming from October's independence referendum in Quebec appears to have made the mood even bleaker.

Consnmers cannot be entirely blamed however, for the retailers' woes. Competition has also been sharpened by e horde of US chains that has swarmed across the border in the past year or two.

They have inclnded "category killers", such as Sports Authority and Sportmart in sportswear, and Petsmart for pet supplies. Their outlats occupy cavernous warehouse-type sheds, usually on the outskirts of large cities, and offer a product selection and prices that few department stores or small retailers can match.

Petsmart aims to open about a dozen atores, each covering as much as 26,000 sq ft, in southern Ontario by mid-1996. Homa Depot, the Atlanta-based hardware chain, bought a 75 per cent stake in a seven-store "warehouse outlet" chain last year; it has snbaequently added a dozen new stores. Borders, a US bookstore chain, has outlined plans for a thrust into Canada, amid loud protests from smaller Canadian booksellers.

However, none of these newcomers has had a greater impact than Wal-Mart, the Arkansas-based group which invaded Canada in early 1994 by buying 122 dowdy Woolco stores. Wal-Mart spent C$275m (US$202m) refurbishing the outlets, added nine stores of its own, and cut a swathe through traditional Canadian retailing customs with its policy of "everyday low prices".

The US group claims it has boosted sales in the former Woolco stores from C$125 to more than C$200 per square foot, and that its share of the discount department store market has soared from 22 per cent to 40 per cent since early 1994.

Even before Christmas, Wal-Mart's growth had unleashed a ferocious price war with Zellers, a chain owned by Hudson's Bay, as well as US-owned Kmart and Sears.

A squeeze on margins was the main factor behind The Bay's poor third-quarter performance. The "category killers" were subsequently drawn into the battle for market share.

Weak Christmas sales are expected to push many small retailers to the wall. Bigger chains have also been forced on to tbe defensiva. For instance, competition from the new sporting goods behemoths has led some store chains to shrink their sports sections.

Home Depot has trimmed its planned 1996 expansion from 10 new stores to five. Molson, the brewing group that owns the remaining 25 per cent of Home Depot Canada, recently blamed a two-thirds drop in quarterly operating profits from its retail business on "very poor" conditions in the home improvement market.

Wal-Mart however, appears unruffled by the storm it has helped create. An official says that Christmas sales climbed at e double-digit rate; that the Canadian unit will report an operating profit for this year, and that 1996 expansion plans – starting with four new stores early in the year – are on track.

"The company has been tickled pink by the response of Canadian consumers," he says.

FT writers look at the best performing shares around the world in 1995

Sweden's investors opt for security

Best & worst sectors

Sweden's forestry companies weighed in with record profits in 1995, but those who expected a stock market reward to match that of the more fashionable high-technology shares were disappointed, writes Hugh Carnegy in Stockholm. Investors worried that the rapid upturn in demand and prices would be replaced by a roll into the downside in the highly cyclical sector.

The companies and many analysts insisted underlying demand for paper products was set to continue. But in October a rise in prices to $1,000 a tonne for benchmark pulp failed to stick; the pessimistic tone was confirmed and stocks fell. The pulp and paper index on the Stockholm stock exchange was down 15 per cent at Christmas from the beginning of the year, against a 16 per cent rise in the General Index.

Pharmaceutical stocks continued to be among Sweden'a top performers; the chemical and pharmaceutical sector index was up 48 per cent by Christmas. Financial stocks also had a good year, and the banking and finance index was up 27 per cent at Christmas.

But the best performers of all were in a sector Sweden is not so famous for – security. Locks group Assa Abloy was up 156 per cent – best of the regular stocks – while Securitas was up 57 per cent.

Japanese on track

It bas been a good year for Japanese railway stocks, the best performing sector, up 13 per cent since the start of 1995. Their strong performance has less to do with the number of passengers carried than their large land boldings, which mean railway shares show a strong correlation with real estate stocks, writes Emiko Terazono in Tokyo.

The sector has been boosted by the ruling coalition's proposals to cut property-related taxes, which have been imposed on leading land owners including property companies, railways and department stores. "Over the longer term, a reform in the asset tax should lead to stabilisation of land prices, which should benefit the private railways," says Mr Laurent Del Grande at Kleinwort Benson.

In contrast, shipping proved the worst performer of the year, declining 17 per cent. Despite e brief rally thanks to the fall in the yen during the summer, the sector has been hit by concern over weak liner freight rates.

Spain goes for gas

Gas Natural, the dominant gas importer and domestic distributor, was the stock of the year in Spain during 1995 and gas distribution was the best performing sector on the Madrid market with a rise of 61.1 per cent in local terms, writes Tom Burns in Madrid.

However, analysts believe that there could be some clouds on the horizon. Ahorro Corporación Financiera has downgraded Gas Natural to hold, arguing that its high share price – Pta18,160 – reflects all the positive factors over the last two years and that it has now entered a risk zone.

Further markets will be covered over the coming days.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	110.1800	-	8.48	8.48	8.52
Austria		6.500	11/05	100.9300	+0.130	6.37	6.50	6.76
Belgium		6.500	03/05	98.6500	+0.150	6.69	6.76	6.78
Canada *		8.750	12/05	111.4100	-0.080	7.12	7.40	7.53
Denmark		8.000	03/06	105.2000	+0.140	7.25	7.39	7.57
France	BTAN	7.750	04/00	107.2100	+0.120	5.90	5.92	6.17
	OAT	7.750	10/05	107.8000	+0.080	6.65	6.75	6.97
Germany Bund		6.500	10/05	103.3800	+0.140	6.03	6.12	6.32
Ireland		6.250	10/04	92.4500	+0.900	7.44	7.56	7.73
Italy		10.500	09/05	99.1800	-0.270	10.63†	10.95	11.27
Japan	No 129	6.400	03/00	118.7730	+0.315	1.63	1.42	1.48
	No 174	4.600	09/04	111.9370	+0.308	2.89	2.70	2.80
Netherlands		6.750	11/05	105.1400	+0.150	6.04	6.16	6.31
Portugal		11.875	02/05	112.0400	+0.180	9.81	10.02	10.78
Spain		10.150	01/06	101.9200	-0.100	9.71	9.94	10.57
Sweden		6.000	02/05	84.4590	+0.114	8.52	8.74	9.16
UK Gilts		8.000	12/00	104-30	-4/32	6.80	6.88	7.08
		8.500	12/05	107-14	-5/32	7.42	7.53	7.69
		9.000	10/08	111-17	-4/32	7.57	7.69	7.83
US Treasury *		5.875	11/05	101-23	+2/32	5.64	5.86	5.81
		6.875	08/25	112-04	+5/32	5.99	6.20	6.22
ECU (French Govt)		7.500	04/05	103.4300	+0.150	6.98	7.09	7.39

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest

Prime rate	8½	One month	5.07	Two year	5.23
Broker loan rate	7¼	Two month	5.04	Three year	5.28
Fed.funds	5⅛	Three month	5.01	Five year	5.44
Fed.funds at intervention	-	Six month	5.20	10-year	5.67
		One year	5.21	30-year	6.00

Treasury Bills and Bond Yields

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.34	120.36	+0.06	120.40	120.32	17,501	120,261
Jun	120.76	120.80	+0.06	120.84	120.76	436	4,318
Sep	118.90	119.94	+0.06	119.90	118.90	2	815

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
118	-	2.67	-	-	-	0.71
119	1.36	1.92	-	-	0.56	0.97
120	0.36	1.27	-	-	0.90	-
121	-	0.77	-	-	-	1.74
122	-	0.41	-	-	-	-

Est. vol total, Calls 5,061 Puts 8,423 . Previous day's open int., Calls 147,831 Puts 144,630.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.10	99.24	+0.09	99.31	99.10	19967	199262
Jun	-	98.56	+0.13	-	-	0	2069

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
9900	0.65	0.92	0.79	1.10	0.41	0.68	1.21	1.52
9950	0.39	0.66	0.58	0.88	0.65	0.92	1.51	1.80
10000	0.22	0.46	0.43	0.70	0.98	1.22	1.85	2.12

Est. vol. total, Calls 2869 Puts 5740. Previous day's open int., Calls 145284 Puts 123517

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	108.20	107.78	-0.32	108.22	107.72	8821	51801
Jun	107.35	107.28	-0.32	107.50	107.36	110	1202

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10750	1.72	2.46	1.44	2.68
10800	1.46	2.22	1.66	2.94
10850	1.23	2.01	1.95	3.23

Est. vol. total, Calls 901 Puts 718. Previous day's open int., Calls 42686 Puts 30518

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	95.79	95.53	-0.11	95.88	95.40	23,266	47,128

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110-25	110-24	+0-01	110-31	110-22	6403	131535
Jun	-	110-06	+0-01	-	-	0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
110	1-18	1-44	1-44	2-14	0-35	0-60	1-32	2-02
111	0-46	1-10	1-15	1-49	0-62	1-26	2-03	2-37
112	0-23	0-47	0-55	1-24	1-39	1-63	2-43	3-12

Est. vol. total, Calls 135 Puts 75. Previous day's open int., Calls 15632 Puts 14792

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	90.26	90.30	+0.18	80.28	90.22	334	6,799

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	120-24	120-29	+0-06	121-01	120-21	84,981	384,586
Jun	120-08	120-14	+0-04	120-12	120-08	1,353	16,510
Sep	120-00	119-31	+0-05	120-00	119-31	20	5,465

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	118.76	-	-	119.88	119.76	1118	0
Jun	118.36	-	-	118.46	118.36	447	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Dec 28	Day's change %	Wed Dec 27	Accrued interest	xd adj. ytd		Low coupon yield Dec 28	Dec 27	Yr. ago	Medium coupon yield Dec 28	Dec 27	Yr. ago	High coupon yield Dec 28	Dec 27	Yr. ago
1 Up to 5 years (25)	123.28	+0.06	123.20	1.90	10.77	5 yrs	2.86	6.88	8.73	6.86	6.88	8.71	6.94	8.95	8.82
2 5-15 years (21)	150.59	+0.04	150.53	1.78	12.47	15 yrs	7.61	7.60	8.55	7.65	7.66	8.71	7.72	7.74	8.91
3 Over 15 years (8)	188.30	-0.02	188.34	2.48	13.26	20 yrs	7.70	7.69	8.48	7.72	7.72	8.71	7.78	7.80	8.82
4 Irredeemables (6)	192.82	+0.63	191.28	1.11	14.71	Irred.†	7.79	7.86	8.60						
5 All stocks (58)	145.42	+0.04	145.37	1.97	12.12										

Index-linked							Inflation 5% Dec 28	Dec 27	Yr. ago	Inflation 10% Dec 28	Dec 27	Yr. ago
6 Up to 5 years (1)	196.59	+0.01	196.57	1.53	8.37	Up to 5 yrs	2.46	2.46	4.04	1.25	1.24	2.78
7 Over 5 years (11)	188.61	+0.01	188.58	0.71	5.47	Over 5 yrs	3.52	3.52	3.87	3.32	3.31	3.67
8 All stocks (12)	188.65	+0.01	188.64	0.73	5.53							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 28	Dec 27	Dec 22	Dec 21	Dec 20	Yr ago	High*	Low*
Govt. Secs. (UK)	95.92	95.75	95.42	95.38	95.65	91.03	96.22	90.22
Fixed Interest	114.68	114.32	114.23	114.34	114.32	109.71	115.04	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 27	Dec 22	Dec 21	Dec 20	Dec 19
Gilt Edged bargains	45.0	42.8	76.4	75.7	90.7
5-day average	66.1	73.7	81.0	63.2	85.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 28

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99⅞	99⅝		5.60
Abbey Natl Treasury 6½ 03	1000	102⅛	102⅜	+⅛	6.13
ABN Ambro Bank 7¼ 05	1000	106¾	107⅛	+⅛	6.39
African Dev Bk 7⅜ 23	500	107⅛	107⅞	+⅝	2.77
Alberta Province 7⅝ 98	1000	105⅜	105½	+¼	5.53
Asian Dev Bank 6¼ 05	750	102⅛	102¼		6.05
Austria 8½ 00	400	109⅝	109⅞		5.78
Baden-Wuert L-Fin 6⅛ 00	1000	108¼	108½		5.79
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Sweden 8 97	2500	106⅞	107⅛		4.06
United Kingdom 7¼ 97	5500	105⅝	105¾	+⅛	3.86
Volkswagen Intl Fin 7 03	1000	104¼	104½	+¼	6.26
World Bank 0 15	2000	29	29¼	+1	6.39
World Bank 5⅞ 03	3000	103	100⅛	+¼	5.87
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	37⅛	38	-⅛	5.02
Austria 4½ 03	1000	105¾	106⅛	-⅛	2.99
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	101⅛	101¾		7.71
Alliance Leics 11⅛ 97 £	100	106	106¼		6.56
British Land 8⅞ 23 £	150	95⅛	98		9.59
Denmark 6¾ 98 £	800	103	100¼	-⅛	6.73
EIB 8 03 £	1000	102¾	103	-⅛	7.40
Halifax 10⅞ 97 £	100	104¼	104½		6.48
Hanson 10⅜ 97 £	500	105⅞	106⅛	-⅛	2.76
HSBC Holdings 11.69 02 £	153	117⅝	118		8.11
Italy 10½ 14 £	400	114¼	114⅝	+⅛	8.88
[illegible]					

[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)						
Treas 14pc 1996	13.92	-	100⅝xd	—	108⅞	100⅝
15¼pc 1996‡‡	14.79	6.01	103⅛	—	109⅝	103⅛
Exch 13¼pc 1996‡‡	12.91	6.06	102⅝	—	107¼	102⅝
Conversion 10pc 1996	9.69	6.01	103¼	-⅛	104⅝	103⅛
Treas 13¼pc 1997‡‡	12.36	6.11	107⅛xd	—	109⅞	107⅛
Exch 10½pc 1997	10.03	6.13	104⅝	—	105⅝	104⅛
Treas Cnv 7pc 1997‡‡	6.91	6.15	101¼	—	101⅞	97⅛
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 12½pc 2003-5	9.58	7.36	130½	—	130⅝	119⅝
Treas 8½pc 2005‡‡	7.91	7.42	107½	-⅛	108⅛	97⅝
7½pc 2006‡‡	7.47	7.48	100⅝	-⅛	101⅛	94⅝
7¾pc 2006‡‡	7.60	7.48	102	—	102½	92⅛
8pc 2002-6‡‡	7.72	7.50	103⅝	-⅛	104⅛	93⅛
Treas 11¾pc 2003-7	9.45	7.30	124⅛xd	+⅛	124⅝	113⅝
Treas 8½pc 2007 ‡‡	7.91	7.32	107½xd	-⅛	108⅛	97⅝
[illegible]						

Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
Index-Linked (b)						
2pc '96 (67.9)	-	1.40	215⅝	—	215⅝	201⅛
4⅝pc '98‡‡ (135.6)	1.25	2.46	112⅝	—	112⅝	108⅛
2½pc '01 (78.3)	2.79	3.29	178⅜	—	178½	165⅝
2½pc '03 (78.8)	3.00	3.39	174⅜	—	174⅜	161⅝
4⅝pc '04‡‡ (135.6)	3.04	3.39	115⅝	—	115⅝	108⅛
2pc '06 (69.5)	3.16	3.43	183⅛xd	—	183⅝	169⅛
2½pc '09 (78.8)	3.24	3.47	165⅝	—	166⅞	152⅝
[illegible]						

[illegible]

Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

COMMODITIES AND AGRICULTURE

Mali gold mine cost jumps 20%

By Kenneth Gooding, Mining Correspondent

The projected capital cost of the Sadiola Hill gold mine in Mali has jumped by more than 20 per cent, from US$250m to $303m in the past year.

Anglo American Corporation of South Africa, the world's biggest gold producer and one of the partners in the project, said yesterday it was now possible to give a realistic estimate the the cost, excluding capitalised interest, of developing a mine in a very remote part of Mali.

Some $160m for the project had been obtained from a consortium of multilateral lending agencies led by the International Finance Corporation (IFC), a World Bank offshoot, and the balance would be supplied by shareholders in the form of equity and interest-bearing subordinated loans.

Société d'Exploitation des Mines d'Or de Sadiola (Semos), the company formed to exploit the ore body, has four shareholders: Anglo and Iamgold of Canada, with 38 per cent each, the Malian government (18 per cent) and the IFC (6 per cent).

Anglo gave more details about the project yesterday because Iamgold had filed a preliminary prospectus in Canada. Iamgold intends to float on the Toronto Stock Exchange next year.

The partners also admitted that the timing of the project – to develop Mali's second gold mine 76km from Kayes, the provincial capital – had slipped a little. The mine is now scheduled to start up in the first quarter of 1997 instead of late next year and to be in full production by mid-1997. Anglo added, however: "Despite the remote location of this mine, in a rural area without significant industry or infrastructure, construction is proceeding satisfactorily within a tight time schedule".

The open pit mine is expected to produce about 320,000 troy ounces of gold a year. At present the Sadiola project is known to have 141 tonnes of mineable gold to be extracted over 12 years and Anglo said additional reserves might be found.

The total cash operating cost, including revenue and cost related taxes, averaged over the life of the mine is at present estimated at $215 an ounce.

Anglo said the Sadiola pit eventually would be 1,800m long by 750m wide and 150m deep. Cyanide leach and carbon-in-pulp gold recovery circuits would be used. Water would be pumped from a river near Diamou along a 56 km pipeline.

Nickel supplies seen remaining tight

By Kenneth Gooding

Nickel supplies are likely to be tight for another two years, analysts are warning consumers of the metal, which is mainly used for production of stainless steel.

A great deal will depend on the performance of the Norilsk combine in Russia, once the world's biggest nickel producer and whose exports represent about 20 per cent of western world supply.

"Nickel stocks look perilous. Even assuming that the Russians produce at the higher end of the currently viable range, and export all the surplus, by 1997 the west could have run out of stocks," says Ms Rhona O'Connell, analyst at stockbroker T. Hoare & Company, in a special report about the long-term outlook for base metals.

Analysts at the Rudolf Wolff commodities group point out that London Metal Exchange stocks of nickel have been falling at an average of 10,250 tonnes a month. This suggests that in 11 months stocks will be at critically low levels – about six or seven weeks' worth of consumption or 111,250 tonnes.

Mr William Adams and Mr Martin Squires, in a special Wolff report on the outlook for metals in 1996, point out that the western markets are highly dependent on Russian nickel exports and that "this will become increasingly important as western stocks are run down".

Wolff suggests that, with no substantial new production capacity scheduled until the end of 1997, "the market will remain vulnerable to any disruption to supply, especially from the CIS, or from another year of better than expected consumption".

Wolff says that nickel for delivery in three months on the LME can be expected to average US$9,000 a tonne in 1996 up by 11 per cent from the average of $8,100 this year.

Ms O'Connell at Hoare & Company suggests the price increase will be even greater and is forecasting an LME three-month nickel price averaging more than $11,000 a tonne next year and one of $13,224 in 1997.

She says: "On a global basis, even accounting for the imminent slowdown in the stainless steel market and assuming 60,000 tonnes a year of production from the much heralded Voisey Bay [in Labrador] by the year 2,000, the long term outlook suggest s that this will be very much a sellers' market for the next few years. The balance starts to turn around during 1998 as scheduled production expands but, on the bald numbers, 1997 will be crunch time".

Canadian copper mine given green light

By Bernard Simon in Toronto

British Columbia has approved construction of a new copper and molybdenum mine by Vancouver-based Princeton Mining, despite objections from environmental groups.

The decision confirms recent indications that the province's social-democratic government is adopting a more flexible policy towards the mining industry after pulling the plug on a number of high-profile projects in recent years.

The Huckleberry mine, located in north-central BC, is expected to produce 65m lb of copper a year in the first five years of its 20-year life, with total reserves estimated at 1bn lb. Annual molybdenum output is estimated at 1m lb. Construction costs are expected to total C$137m.

Japan's Marubeni and Mitsubishi Materials have agreed to buy a 40 per cent stake in the project. They will provida US$60m in loan finance, and will buy all concentrates produced in the first five years.

Mitsubishi already buys the entire output of Princeton's existing open-pit copper mine in BC, which was reopened last year with an annual capacity of about 60m lb.

Mr Moe Sihota, BC's environment minister, said that the project had undergone an extensiva environmental review. "All concerns raised during the review process have been adequately addressed," he said. But local aboriginal groups, supported by some environmentalists, have lobbied strongly against the mine.

The project still requires federal government approval.

Importers fight feudal seizure rule

By Deborah Hargreaves

Commodity importers are meeting representatives of British ports next week to try to convince them to remove an ancient feudal practice from their rule books.

The practice which dates back to the Crusades means that ports can impound a cargo to offset a shipowner's debts, even though the cargo is legally owned by the importer or exporter and not the shipping line.

"This is making importers very nervous. The rational thing would be to ensure that ports come into the 21st century and change their operating terms," says Ms Pamela Kirby Johnson, director-general of the Grain and Feed Trade Association.

Importers' concerns came to a head after a recent case in the High Court when a judge upheld a deciston by the port of Felixstowe to hold on to £100,000 worth of Turkish split lentils because of the insolvency of the shipping line on which it was carried. A similar case concerning a cargo of sugar is pending.

Ms Kirby Johnson says the ports' practice threatens to undermine the basis on which commodity importers do business worldwide. "What is most worrying is that insurance companies and banks are now asking for more guarantees from buyers [of commodities] over shipping," she said.

Many commodities are sold on a delivered basis which means the seller pays for and arranges the freight. "A number of importers just could not deal with organising their own shipping," says Ms Kirby Johnson.

European ports such Rotterdam, Antwerp and Hamburg have no such rights over cargoes. Many of them operate a system of bank guarantees from the shipping lines' agents which ensures the release of goods on arrival. UK importers would like a similar system to be adopted in the UK.

Caribbean sugar growers hope for brighter future

Canute James on improved access to lucrative markets

Caribbean sugar producers, most of whom have been suffering declining output, have been encouraged by recent increases in access to preferred and lucrative markets in the European Union and the US. They are now trying to lift production and to rehabilitate mills to take advantage of the new opportunities.

Leading producers, such as the Dominican Republic, have been forced to import to meet domestic demand, while Cuban authorities are speaking guardedly of an increase in output next year following a steady fall that saw this year's harvest yielding less than a half the level of five years ago.

Caribbean producers enjoying preferred access to the EU will be able to export more under a special agreement to meet increasing demand caused by the expansion of the union. The contract runs from this year to 2001 and gives exporters in the African, Caribbean and Pacific (ACP) group, a market for an additional 428,000 tonnes a year. This will increase the Caribbean producers' access by about 117,000 tonnes a year.

The increased access for the region to the US market follows the US Department of Agriculture's raising of the import quota for the current fiscal year by 300,000 tonnes to 1.41m tonnes. Caribbean suppliers can sell an additional 67,000 tonnes, of which the Dominican Republic's allocation is 53,000 tonnes.

The EU and US markets are valuable outlets for the region's producers. Most Caribbean sugar industries operate with production costs higher than the 12 cents to 14 cents a pound they would obtain for sales on the world market. The additional shipments by the ACP producers to the EU over the next six years will earn them 25 cents a pound, slightly less than they get for their regular quotas. US quota holders get 22 cents a pound.

"We can sell all the sugar that we have, and if we had more we could even sell that," said Mr Kusha Haraksingh, president of the Sugar Association of the Caribbean and chairman of Caroni (1975) Limited, Trinidad and Tobago's sugar producer. "The future is bright for Caribbean sugar and it seems it will be so for a long time. We have to forget about our emotional attachment to sugar and remember it is big business. We have to have less strikes and other industrial action and improve production."

Taking advantage of these new opportunities will demand significant improvement in productivity and output by several of the region's producers. In Trinidad and Tobago the 1995 harvest yielded 117,000 tonnes, missing the target of 128,000 tonnes, and 10.5 per cent below 1994's record. Low productivity was caused by dry weather, say industry officials, but the country has met its foreign quota commitments and domestic demand.

Drought meanwhile helped to depress Barbadian output to 38,500 tonnes, 27 per cent less than last year. The industry was being restructured to lift productivity, and the forecast for next year was 58,000 tonnes, said Mr Atlee Brathwaite, chief executive of the Barbados Agricultural Management Company.

The island has a EU quota of 54,000, which is not being met, and its US quota has oot been supplied for some time. Barbados would agaio have to import sugar from Guyana to meet domestic demand, said Mr Brathwaite.

Jamaica hoped to lift output to 300,000 tonnes a year to allow it to meet all its quota obligations and domestic demand, said Mr Karl James, chief executive of Jamaica Cane Products, which markets the island's sugar. Production this year was only 211,500 tonnes, which forced the island to import to meet domestic demand.

Tho Dominican Republic, once among the world's top ten sugar exporters, is now importing the product from Brazil to meet a shortage on the domestic market. This year's harvest yielded 560,000 tonnes. Officials blame the shortage on "illegal" sales to neighbouring Haiti. The state-owned producer, the CEA, is in financial trouble and unable to pay its debt, including about $30m to farmers.

Guyana's state-owned industry, which is being managed under contract by Booker Tate of the UK, plans to spend about US$30m to rehabilitate mills and lift capacity to 300,000 tonnes a year. Production last year was 252,600 tonnes, 10,000 tonnes more than a year earlier and the highest since 1983.

The region's problems have been especially evident in the performance of its biggest producer. But Cuba's production, which fell to 3.3m tonnes this year, could improve by 20 per cent next year, according to Mr Carlos Lage, the country's vice president in charge of economic policy. Cuba has obtained about $100m from foreign sources to purchase agricultural chemicals, retool some mills and replace ageing farm machinery. The industry is trying to recover after output fell by more than a half in five years.

The island had a contract for supplying China with 400,000 tonnes last year, but was unable to meet it. Under an agreement signed recently with Russia it will supply 1.5m tonnes of sugar in 1996 and receive in return about 4.5m tonnes of oil. Russian companies are working on a plan for financing part of the Cuban sugar harvest by supplying it with fuel, spare parts and agricultural machinery, according to Cuban officials.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

■ ALUMINIUM ALLOY ($ per tonne)

■ LEAD ($ per tonne)

■ NICKEL ($ per tonne)

■ TIN ($ per tonne)

■ ZINC, special high grade ($ per tonne)

■ COPPER, grade A ($ per tonne)

■ LME AM Official £/$ rate

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Feb	387.8	+0.1	388.1	387.3	16,906	54,239
Apr	388.8	+0.2	390.1	389.3	308	15,529

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
Jan	123.10	+0.60	123.00	122.90	37	537
Mar	125.36	+0.20	125.40	125.25	57	2,525

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
Mar	896	+2	897	894	1,041	35,526
May	917	+2	919	915	150	14,786

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

■ GSCI Spot (Base: 1970=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Feb	66.750	+0.375	66.825	66.250	7,554	30,391
Apr	66.800	+0.150	67.025	66.525	2,694	16,930

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

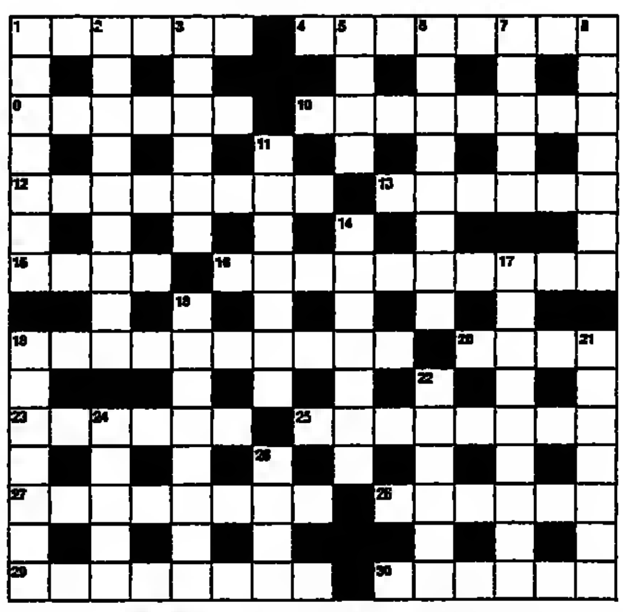
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ OTHER

JOTTER PAD

CROSSWORD

No.8,954 Set by DANTE



ACROSS

1 Healthy transport in decay (6)
4 A personal representation (8)
9 Rise in prices left Paris ruined (6)
10 An unexpected pleasure? (8)
12 It will come to the rescue, if abls to anybow (8)
13 Call for superior judgment (6)
15 Empty sheep range (4)
16 They may be tipped but not recommended by doctors (10)
19 Let one down lightly (5,1,4)
20 Pole crashes in foreign car (4)
23 Bill on the line expresses agreement (6)
25 Only punishment feared by the prisoner (8)
27 Lacking a real foundation? (8)
28 One is not suited for camp life (6)
29 One source of colourful porcelain? (3,5)
30 Decide not to go on? (6)

DOWN

1 Monarch embraces saint and thief (7)
2 Does a lawyer make short work of it? (5-4)
3 To busb an upset baby is rather mean (6)
5 Love to drink up after work (4)
6 Maximum rate for a spinner? (3,5)
7 Stay in Lincoln – I would (5)
8 The gardener likes to see it overgrown (7)
11 Please pay for in full (7)
14 Coward and criminal come up in a sailing vessel (7)
17 He can cut quite a figure in the garden (9)
18 Small party conflict (8)
19 Bare arm wrestling in annual Highland games (7)
21 Still getting in late, showing childish habits (7)
22 Think of a number (6)
24 Nominally involved in a court case (5)
26 Soviet agreement to Navy repair (4)

Solution 8,953

DEDECK UNREAL
R U O U N D
PARTING PRESENT
V I T A S U D
CONFERENCE ROOM
U A I E N
COLIC MALADIES
A T O I R
ANALYSIS NICKS
T U I D H
DOWN INTHEMOUTH
H A N Y R L A
DEATHLY SILENCE
S I E N R I
EXCITE AGHAST

COMPANY NEWS: UK

Land Rover output soars on overseas sales

By Haig Simonian, Motor Industry Correspondent

Land Rover, the four-wheel-drive vehicle maker owned by BMW of Germany, surpassed its own forecasts and built more than 127,000 units this year. The 35 per cent rise on 1994 levela reflects strong growth in overseas demand.

Land Rover, best known for its upmarket Range Rover, had until relatively recently been saying output in 1995 would be about 115,000 units, well ahead of the 94,472 vehicles made in 1994.

However a late spurt in demand, especially from the US and Japan, led to record production in the final quarter. Output at the company's Solihull plant in the Midlands has recently exceeded 3,000 units a week, compared with 2,600 in January.

The rise was achieved through the addition of a second assembly line for the best-selling Discovery and a move to two-shift working on the group'a three models. Almost all vehicles were built in response to customer orders.

The company, which is expected to introduce a fourth modal to slot between the Defender and the Discovery in 1997, declined to provide production forecasts for next year. However, it said it hoped outpnt would double from the current total by the end of 2000, repeating the performance achieved over the past five years.

Demand in Japan jumped by more than 75 per cent in the first 11 months of this year, while sales in the US grew by almost 70 per cent. Registrations in the main continental European markets grew by about one third, while UK sales rose 12 per cent.

The company is engaged in a £150m three-year investment plan to improve production and develop new models. The most obvious result will be the new model planned for 1997, which is designed to take on Japanese sports utilities, such as Toyota'a RAV-4 and Honda'a CR-V.

Granada hits back at Forte's conglomerate jibe

By David Blackwell

Granada is planning a campaign next week to remind Forte's shareholders of the reasoning behind its £3.3bn ($5.08bn) hostile bid.

"When yon get back to the basics we have put a very attractive offer on the table," said Mr Charles Allen, chief executive designata of the television, catering and leisure group.

Forte, the UK's biggest hotels group, yesterday described Granada's offer as inadequate, and repeated its jibe that Granada was turning itself into a conglomerate.

Mr Allen rejected that. "All our businesses are in the leisure sector – we are not an industrial diversified conglomerate."

Granada's campaign will follow Forte'a last defence document, to be issued on Tuesday. The document is expected among other things to reveal how the £1.05bn from the sale of the roadside businesses will benefit Forte shareholders.

The sale of the roadside eateries – mainly Little Chef – to Whitbread, announced on Wednesday, is conditional on the failure of the Granada bid.

Mr Allen said the disposal was a mistake as synergies between the hotel and catering businesses would be lost. "The value is less when you split the two divisions," he said, rejecting the idea that Granada might be interested in scaling its bid down. "Our price reflects the synergistic benefits."

Those synergies are part of the £100m of savings Granada has claimed can be made in the year to September 1997. Mr Allen yesterday broke them down into four categories.

First the head office costs would be reduced as the operational structure of Forte was reorganised. Granada's head office staff of 24 would be increased to 32 – compared with Forte's 300 plus.

Second, purchases of food and beverages would be almost doubled to £380m, creating opportunities for better discounting.

Third, the marketing division would be rationalised, cutting Forte from more than 30 different agencies to three.

Fourth, the catering brands – particularly Little Chef – would be developed.

"We have done a very detailed review," said Mr Allen yesterday. "All of these together would add np to more than £100m."

Granada also plans to remind shareholders of its results, announced the same day as the bid on November 22 and ahead of market expectations at £351m, up 32 per cent.

Since then Mr Allen said the bid battle had overshadowed other good news for Granada, including the eight new channels it will launch with BSkyB next year and the White Paper that will allow the group to add to its two terrestrial television licences.

Many observers are convinced Granada will have to increase its offer on January 9 – the last day. But some analysts have qnestioned the 15 per cent increase Kleinwort Benson believes necessary if Granada's share price does oot recover.

Granada shares closed up 1p at 644p, well below the 697p ahead of the bid. It is offering four new shares plus £23.25 cash for every 15 Forte shares, with a fully underwritten cash alternative of 321.67p.

At yesterday's close, excluding the 7.9p dividend, the offer values Forte shares at 324.6p. Forte shares closed down 2¼p at 329¾.

Amstrad turns sour for Sugar's choice

Paul Taylor looks at the surprise departure of David Rogers after less than 18 months

When Alan Sugar, Amstrad's outspoken chairman, picked David Rogers to be Amstrad's first chief executive, some analysts wondered whether their similar looks would translate into compatible business philosophies. Others speculated about how long the former Philips executive would last.

Yesterday's surprise announcement that Mr Rogers was quitting after less than 18 months of a three-year contract appeared to confirm the doubts.

Amstrad blossomed under Mr Sugar'a mercurial leadership in the 1980s, helped by the buoyant market for home audio and video equipment, and the introduction of cut-price personal computers.

But the company's fortunes turned sour in tha early 1990s, as new competitors entered the consumer electronics market. Amstrad plunged into losses and the share price tumbled. Mr Sugar, tha group's main shareholder with a 35 per cent atake, warnad othar holders that the group had run out of "blockbuster" naw products and launched a 30p-a-share (now equivalent to 150p after a share consolidation) buy-back bid in December 1992.

His proposals were rejected and, in tha face of criticism of the board, he promised he would appoint Amstrad's first non-executive directors and split his own roles by appointing a chief executive.

Mr Geoff Samson and Mr Michaal Beckett were appointed non-executive directors a few months later, but it took until the summer of last year for Mr Sugar to find a suitable candidate for the chief executiva's job. Mr Rogers joined Amstrad with a clear mandate to restructure tha group, in particular to stem the losses in its old core consumer electronics business.

In November last year he unveiled his reorganisation strategy under which Amstrad has been turned into a holding company with operating subsidiaries in the consumer electronics, telecommunications and personal computer sectors.

Amstrad consumer electronics (Ace) was to be divided into two slimmed-down units, one performing a traditional trading role – buying products mostly from south-east Asia for sale in the UK – and the other focused on spotting new business opportunities.

Meanwhile Mr Sugar, had begun spending some of Amstrad'a substantial cash reserves on higher-growth businesses to take up the running from Ace.

Amstrad repositioned itself in the PC market by withdrawing from the high-street price wars and acquiring Viglen, which manufactures and sells its PCs direct to customers. Dancall, a Danish cellular telephone developer bought from the receiver, began production of advanced cellular phones. And, more recently, Amstrad acquired Dataflex Design, a UK-based modem maker.

As a result the group unveiled £3.06m pre-tax profit in October following three years of losses, despite continuing losses at Ace.

At that stage Amstrad's senior executives were suggesting Ace might break even. However, a recent internal strategy paper concluded that the old business could not be revitalised and would need to be scaled down far more. That position was endorsed in an eight-hour board meeting nine days ago at which Mr Rogers announced his decision to quit.

From the Ace range of products, Mr Beckett said PCs would probably be integrated into Viglen, the telecoms range would become part of Dancall and modems would fall under Dataflex. While Mr Rogers is said to have understood tha logic behind this decision, he is believed to have felt that it left no real job for him. Amstrad will now look for a chief executive with financial expertise to play a coordinating rola between the group's largely autonomous business units.

Mr Rogers' departure will be lamented by the City. Yesterday'a share price fall reflects renewed nervousnesa about Amstrad'a future.

Mirror image cracks: Alan Sugar (left) and David Rogers

Lloyds TSB shares rise to 343½p

By Alison Smith, Investment Correspondent

The first day of operation for the merged Lloyds TSB Group saw shares in the combined organisation rise by 4½p to close at 343½p, despite some analysts' predictions that they would trade at a discount.

The increase, which gives the combined group a market capitalisation of £17.2bn ($26.48bn), suggests that investors continne to have confidence in the ability of the management to take costs out of the enlarged group.

The special dividend of 68.8p per TSB share will be paid on January 18.

The merger should give renewed impetus to the integration of the two organisations, by making it easier to press ahead with appointing senior management to posts in the joint group.

Although it was a separate transaction, the announcement yesterday that Lloyds Abbey Life, the life insurer largely owned by Lloyds TSB, was selling its German life assurance subsidiary, underlined the impression that the banking group intends to reinforce its focus on UK retail financial services.

The dominance of Lloyds personnel at senior levels of the new group was confirmed as the bank announced that Mr Kent Atkinson, Lloyds' chief financial officer, would have tha same position in the enlarged group, and that Mr Alistair Michie, Lloyds Bank's company secretary, would have that position in the group.

However, Mr Peter Ellwood, TSB chief executive, is deputy chief executive of the combined group, and has the key responsibility of bringing together the retail operations of the two banks.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BBS Design §	6 mths to Oct 31	0.537	(0.633)	0.08	(0.088L)	1	(1.08L)	-	-	-	-	nil
BS & EA	Yr to June 30 ★	54.4	(50.6)	7.13L♠	(2.03)	57.9L	(12.5)	nil	-	5.5	2.5	8
Stanelco §	6 mths to Aug 31	0.657	(0.631)	0.085L	(0.047L)	0.01L	(0.01L)	nil	-	nil	-	nil

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives restated. ♠After exceptional charge. §USM stock.

LAL sells German offshoot

Lloyds Abbey Life, has sold its lossmaking German subsidiary, ending a three-year search for a buyer, writes Patrick Harverson.

Haftpflichtverband der Deutschen Industrie (HDI), a large German mutual insurer, has agreed to pay £50m ($77m) cash for Transatlantische Lebensversicherungs (Transleben), although only after Lloyds Abbey has injected a final sum of DM5m into the business.

The small life assurance company has a book value of £85m and the UK group will incur a £35m exceptional charge in its 1995 accounts.

CURRENCIES AND MONEY

MARKETS REPORT

Year dawdles to tame close

By Philip Gawith

Foreign exchanges look set to finish the year with a whimper, rather than a bang, following another lifeless trading session yesterday.

The main traded currencies were locked into narrow ranges, with little by way of news developments to provide fresh trading direction. There was no evidence of risk appetite among investors, customer orders were thin on account of the Christmas holiday season, and traders said interbank dealers had completed most of their business by mid-morning in London.

The dollar traded in a very narrow half-pfennig range against the D-Mark in Europe, before finishing barely changed in London at DM1.4319. Despite an intra-day high of Y102.96, a sustained break above Y102.70 proved unsuccessful, and the dollar finished at Y102.605. It later spiked higher in New York, to trade around DM1.44, amid rumours of buying from a US money centre bank.

In Europe, the French franc held onto its recent gains, keeping below FFr3.42 against the D-Mark. It later finished at FFr3.42. Since slipping to FFr3.47 at the beginning of the month, when the country was gripped by a wave of public sector unrest, the franc has steadily appreciated to its current level.

This is a vote of confidence by markets in the ability of the prime minister Mr Alain Juppe to implement the stringent programme of fiscal consolidation to which he has committed his government. It may also reflect a market view that irrespective of Mr Juppe's success, the Bank of France and the Bundesbank will not countenance a depreciation in the franc.

Sterling slipped back slightly following its strong post-Christmas showing when some Far Eastern buying in thin markets drove it through various chart levels. It closed at DM2.2283 from DM2.2334, and at $1.5562, from $1.5605. It slipped further in New York to DM2.22, and $1.5450.

Source: FT Extel

■ The Turkish central bank intervened in money and currency markets to support the lira which has weakened following uncertainty over the formation of a coalition government following the weekend elections.

The lira closed at 61,250 against the dollar on the interbank, weakening from 61,100 on Wednesday, but off an intra-day low of 61,400, following central bank support. The lira has lost 6.2 per cent of its value against the dollar this week, after 1.7 per cent last week.

Overnight money eased to 135 per cent after spiking up to 200 per cent earlier in the day when the central bank lifted its lira offer limits on the lira interbank market.

■ Pound in New York

Dec 28	Latest	Prev. close
£ spot	1.5485	1.5585
1 mth	1.5474	1.5585
3 mth	1.5452	1.5564
1 yr	1.5354	1.5467

■ OTHER CURRENCIES

Dec 28	£	$
Czech Rp	41.5508 - 41.5819	26.7050 - 26.7150
Hungary	212.628 - 212.867	136.686 - 136.780
Iran	4668.50 - 4667.70	3000.00 - 3000.00
Kuwait	0.4654 - 0.4665	0.2991 - 0.2997
Poland	3.8322 - 3.8368	2.4630 - 2.4650
Russia	7219.05 - 7279.57	4638.00 - 4648.00
U.A.E.	5.7144 - 5.7179	3.6727 - 3.6730

UK INTEREST RATES

LONDON MONEY RATES

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

POUND SPOT FORWARD AGAINST THE POUND

Dec 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6783	-0.0362	709 - 856	15.7231	15.6656	15.6346	3.3	15.5908	2.2	-	-	106.5
Belgium	(BFr)	45.7655	-0.0636	435 - 234	46.9730	45.7420	45.6785	2.8	45.4965	2.5	44.7985	2.2	109.0
Denmark	(DKr)	8.6237	-0.0243	197 - 277	8.6550	8.6164	8.612	1.6	8.5947	1.3	8.6362	1.0	109.6
Finland	(FM)	6.7859	+0.0096	787 - 930	6.8050	6.7590	6.7813	0.8	6.7734	0.7	-	-	86.6
France	(FFr)	7.6200	-0.0223	169 - 230	7.6523	7.6077	7.6148	0.8	7.6067	0.7	7.5602	0.8	110.9
Germany	(DM)	2.2283	-0.0051	273 - 292	2.2360	2.2254	2.2237	2.5	2.2146	2.5	2.1742	2.4	111.4

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 28		Closing mid-point	Change on day	Bid/offer spread
Europe				
Austria	(Sch)	10.0747	+0.0042	719 - 775
Belgium	(BFr)	29.4200	+0.02	000 - 400
Denmark	(DKr)	5.5413	-0.0005	400 - 430
Finland	(FM)	4.3608	+0.018	588 - 643
France	(FFr)	4.8965	-0.001	955 - 975
Germany	(DM)	1.4319	+0.0008	315 - 322

... spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 27: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

BASE LENDING RATES

Brit Bk of Mid East 6.50	Hongkong & Shanghai 6.50	● Members of London Investment Banking Association
●Brown Shipley & Co Ltd 6.50	Julian Hodge Bank 6.50	* In administration
Citibank NA 6.50	●Leopold Joseph & Sons 6.50	
Clydesdale Bank 6.50	Lloyds Bank 6.50	
The Co-operative Bank 6.75	Meghraj Bank Ltd 6.50	
Coutts & Co 6.50	Midland Bank 6.50	
Credit Lyonnais 6.50	Mount Credit Corp 6.50	
Cyprus Popular Bank 6.75	NatWestminster 6.50	
	●Rea Brothers 6.50	

EMS EUROPEAN CURRENCY UNIT RATES

CONTRACTS & TENDERS

COPEL

LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cn 2nd Pf	50¼	----	58	50¼	8.31	19.8	-
Cater Allen	426xd	-2	525	418	138.9	8.8	7.0
Close Bros	318	----	*340½	216¾	388.3	3.4	14.1
Gerrard & Nat.	442	-2	480	395	215.7	8.4	14.2
Hambros	200	+1	253	180	353.8	4.7	-
7½pc Cv Pf	99	+1	112	94	127.5	8.5	-
Joseph (L)	448xd	----	483	353	23.7	5.2	25.0
King & Shaxson	139xd	+2½	145	85	35.7	8.1	10.8
Rea Brothers	66	-1	67	44	31.4	1.9	26.0
Schroders	1348	+38	*1478	906¾	2,035	1.3	19.2
N/V	1128	+25	*1186	823¾	482.8	1.8	16.0
Singer & Fried	109	----	111	81	214.4	4.2	11.2
8½pc Cv Ln 09/14	£135¼	----	£137	£1[illegible]	61.6	6.3	-
Union	87	-6	121	70	23.1	4.2	-
Wintrust	275	----	285	200	23.6	5.4	15.5

BANKS, RETAIL

Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£29¼	+½	£29¾	£21⅛	8,873	4.4	10.0
ANZ A$	301	+3	303	198	4,162	5.3	Φ
Abbey National	631	-7	654	413	8,329	3.8	12.6
Allied Irish E	340	+1	358	250	2,328	4.1	10.2
Anglo Irish E	64xd	-1	70	48	220.2	6.8	10.9
Asahi Y	770¼	-48½	857¼	605¼	17,865	0.6	-
Banco Bil Viz Pta	£22[illegible]	+⅛	£22[illegible]	£14[illegible]	5,087	3.7	9.9
Banco Sant Pta	£30[illegible]	----	£31⅛	£22[illegible]	4,961	4.3	21.0
Bk Ireland £	468xd	+1	488	288	2,225	3.6	9.4
Bank Scotland	279	-½	307½	191½	3,292	2.8	12.3
9¼pc Pf	119¾	+¼	120½	109¼	119.8	0.7	-
8¾pc Pf	125	+¼	127¼	112¼	126.8	0.7	-
Barclays	739	-4	812½	567½	11,908	3.9	10.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

صكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

OTHER SERVICES & BUSINESSES - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31⅞	—	£34	£29	2,111	2.7	15.7
Barlow	¥	[illegible]	—	[illegible]	[illegible]	1,313	1.6	♦
Gold Flds Prop R		164	—	198	138	18.7	8.9	6.9
MK Props		83	—	93	85	3.70	12.8	–
SASOL	¥	623	—	649	435	3,082	2.6	–
SA Brews		£23½xd	—	£23⅞	£12⅞	8,621	1.5	31.0
Standard Bank	□	£30⅛	+⅛	£31⅛	£20⅝	3,018	1.5	20.9
Tiger Oats		1150xd	—	1160	700	1,730	1.7	♦
Tongaat-Hulett	†	1071xd	—	1120	638	970.1	1.8	20.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ¥ Rule 2.1(b)(ii) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ◊ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
r Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
& Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £8.45.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hse, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1266, Hamilton, Bermuda 001 809 292 2780

Newport Investment Management
73 Front street, Hamilton, Bermuda

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 441 292 6370

BERMUDA (REGULATED)(**)

Butterfield Management Co Ltd

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 256, St Peter Port, Guernsey 01481 710851

GUERNSEY (REGULATED)(**)

AMZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Barclays Int'l Funds

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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Chase Manhattan Vista Funds

Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Royal Life International

Caspco Investment Management Ltd

Global Asset Management - Contd.

Magellan Emerging Mkts Mngt (Jersey) Ltd

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LUXEMBOURG

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♣) - 1101 to 1400 hours
(♦) - 1401 to 1700 hours
(♠) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
b - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
e - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
y - Previous day's price.
§§ - Guernsey gross.
◆ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
◆ - Yield column shows annualised rate of NAV increase.

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 falls just short of intra-day high

By Philip Coggan, Markets Editor

The London market made a brave attempt to set a new all-time high before the end of the year, but a weak opening on Wall Street prevented it from achieving its target.

Shares opened lower, faced with the handicap of the Lloyds-TSB merger which, because of a special dividend, knocked more than seven points off the FT-SE 100 index.

But after an early 5.2 dip to 3,671.2, the Footsie quickly recovered, as it had on Wednesday. By lunchtime, it was mounting an assault on its all-time intra-day high of 3,688. Even in thin trading, however, the market failed to have enough momentum to pass that level, although it fell just 0.1 short at 3,687.9.

Gilts and sterling, which had helped to push the Footsie ahead on Wednesday, were of no help yesterday. The benchmark 10-year issue fell by three ticks, while the pound dropped by around a third of a pfennig against the D-Mark and a third of a cent against the dollar.

Initial weakness on Wall Street, where the Dow Jones Industrial Average lost some 7 points by the close of London trading, caused the Footsie to retreat in the afternoon. By the close the leading index was just 0.3 up at 3,676.7, although this small gain represented its fifth successive daily increase.

The FT-SE Mid 250 index performed more strongly, rising 7.8 to 4,007.5, a 1995 high. Trafalgar House, which recently announced heavy losses of £321m, was the junior index's strongest performer.

The FT-SE-A All-Share index, which registered an all-time high of 1,795.71 on Wednesday, set a further record, adding 0.95 at 1,796.66.

The main corporate news yesterday was at Amstrad, where the departure of the chief executive and reorganisation of the consumer electronics division pruned more than 10 per cent off the shares.

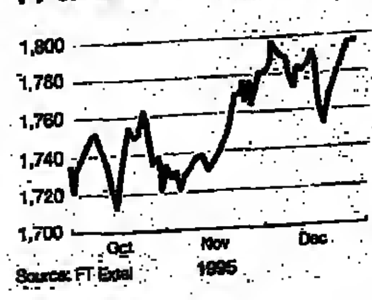
Reports that food shopping had been strong over the Christmas period helped Argyll and J. Sainsbury take two of the top three places in the list of Footsie top performers. On the same theme, a surge in Yuletide phone usage helped BT shares.

Volume remained extremely thin, with most traders still on holiday, and only 342.7m shares were dealt by the 6pm count, of which 57 per cent was in non-Footsie stocks. The value of retail business on Wednesday was just £780.5m, less than the market managed last Friday, when it was only open for half a day. The market will close at 12.30pm today.

With only half a trading day left this year, the market, as measured by the FT-SE-A All-Share index, seems set to record a rise of around 18 per cent. That is a decent, but by no means exceptional, return; the All-Share has made gains of more than 20 per cent on seven occasions since 1980, including a 23 per cent rise as recently as 1993.

The law of gravity – what goes up must come down – does not apply to the stock market; the All-Share had five successive years with gains of more than 15 per cent in the mid-1980s. But the yield on the All-Share will finish the year below 4 per cent. It has done so on five previous occasions in the last 30 years; on four of those occasions the market fell in the subsequent year.

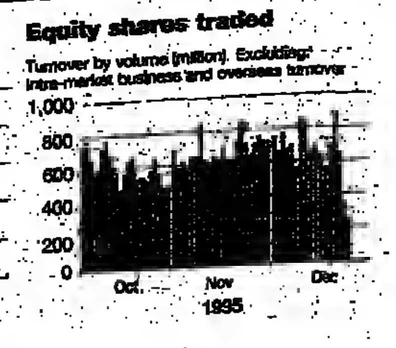
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3676.7	+0.3
FT-SE Mid 250	4007.5	+7.8
FT-SE-A 350	1824.4	+0.9
FT-SE-A All-Share	1796.66	+0.95
FT-SE-A All-Share yield	3.81	(3.80)

FT Ordinary index	2678.7	+4.6
FT-SE-A Non Fins p/e	16.64	(16.63)
FT-SE100 Fut Mar	3691.0	-3.0
10 yr Gilt yield	7.42	(7.42)
Long gilt/equity yld ratio:	2.04	(2.05)

Best performing sectors

1 Banks, Merchant .... +1.8
2 Retailers, Food .... +1.6
3 Electronic & Elec Eqp. .... +1.3
4 Distributors .... +0.7
5 Chemicals .... +0.5

Worst performing sectors

1 Oil Exploration & Prod .... -1.9
2 Tobacco .... -0.9
3 Oil, Integrated .... -0.8
4 Mineral Extraction .... -0.7
5 Insurance .... -0.7

Loss of CEO hits Amstrad

Fears of a boardroom split at Amstrad, following news of the chief executive's resignation, sent the company's shares tumbling and left analysts pondering the group's future direction.

The market was stunned by an announcement that Mr David Rogers is to leave the board and the company next month after a decision to restructure the group's consumer electronics division.

One analyst said: "This is surprising. He was brought in last year to restructure the division and things were heading in the right direction. I cannot see why it needs a new direction now. I sense a split on the board." Those fears prompted a heavy retreat for the shares and by the close the stock had fallen by nearly 13 per cent, a drop of 28 to 191¼p and making it the day's worst performer in the FT-SE Mid 250 index. Volume reached 2.7m shares.

Other analysts said that institutions would be very disappointed that chairman Mr Alan Sugar's attempts to bring in outside management had not proved successful.

Xmas feast

Reports of buoyant trading over the Christmas period, helped to boost several stocks in the food retailing sector.

The list of gains included Argyll Group, where the stock advanced 11 to 347p, leaving it the best performer among FT-SE 100 constituents. J. Sainsbury moved ahead 10 to 393p, though there was a more modest gain in Tesco, which finished the session 1½ harder at 298¼p.

In the retail banking, Lloyds TSB, the new name with effect from yesterday for the two merged banks, was one of the day's main features in the sector.

There was active trading of the shares and they closed 4½ up at 343½p ex the special dividend, which analysts had worked out robbed the FT-SE 100 index of some 7.5 points.

Sentiment in the stock was enhanced by news that Lloyds Abbey Life, majority owned by Lloyds TSB, had sold its loss-making German life assurance arm. Profit-taking left Lloyds Abbey shares 4 lighter at 449p.

Once again there was little that could dampen the bid speculation in Royal Bank of Scotland and the talk drove the stock sharply ahead, the shares closing 8 up at 580p following active trade of 5.1m.

HSBC has been tipped as the most likely predator, with analysts suggesting it needs to boost its high street operations in the UK and RBoS would fit well with its Midland subsidiary. HSBC shares ended the session 8 penny lighter at 998p.

Vague bid talk in Trafalgar House combined with a more positive outlook about the group's future prospects to make it the best performing issue in the FT-SE Mid 250 index. The shares moved ahead 3 to 27p.

The prospect of boardroom changes at GEC continued to excite the market and the shares added 8 at 359p.

BT gained 3 at 349p, boosted by news that it recorded a 10 per cent rise in calls made on Christmas Day. BT said it had recorded 47m domestic and overseas calls during the 24-hour period.

Among chemicals, ICI shrugged off recent weakness to close 9 better at 757p, while BOC Group was also in demand and advanced 3 to 901p. In healthcare, Amersham, a stock recently in the doldrums, was also in favour and the shares forged ahead 29 to 892p on general investment buying.

Fears that cuts in premium rates will erode insurers' profitability cast a shadow over several insurance issues. Guardian Royal Exchange eased 3 to 268p, while General Accident fell 7 to 653p. Royal Insurance Holdings closed a penny lower at 383p.

Takeover talk returned to Sunderland-based brewer Vaux Group. The shares gained 14 at 284p on the renewed speculation, with Bass once again suggested as a possible predator. Shares in Bass closed unchanged at 714p.

MARKET REPORTER:
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Dec 28	Dec 27	Dec 22	Dec 21	Dec 20	Yr ago	*High	*Low
Ordinary Share	2678.7	2674.1	2660.5	2641.8	2633.6	2359.2	2678.1	2238.3
Ord. div. yield	4.05	4.05	4.07	4.16	4.11	4.43	4.73	4.02
P/E ratio net	15.89	15.86	15.79	15.67	15.64	17.80	21.33	15.35
P/E ratio nil	15.69	15.66	15.59	15.48	15.44	17.24	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2673.4	2674.1	2678.5	2680.4	2684.8	2686.5	2680.3	2679.4	2678.2	2686.5	2673.4

	Dec 28	Dec 27	Dec 22	Dec 21	Dec 20	Yr ago
SEAQ bargains	18,094	16,430	13,836	23,758	26,956	12,844
Equity turnover (£m)†	-	780.5	829.0	1794.9	2661.3	861.8
Equity bargains†	-	18,781	17,618	28,705	32,159	17,155
Shares traded (ml)†	-	267.7	351.7	658.5	904.4	393.3

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	638	Total Highs	79	Total contracts	15,240
Total Falls	452	Total Lows	24	Calls	10,696
Same	1,751			Puts	4,544

Dec.28 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	24.0	29	23	Cash Converters	24		Mv2.8	5.1	13.5	18.0
-	F.P.	23.4	125	118	Century Inns	117		-	-	-	-
-	F.P.	12.2	516	500	†Com de Part Fin	516		-	-	-	-
150	F.P.	72.6	160	149½	Cortworth	152		Rv5.8	2.1	4.8	12.5
-	F.P.	54.6	112	108	Cox Insurance	111		-	-	-	-
-	F.P.	14.0	60	52	†Crown Products	53		-	-	-	-
-	F.P.	14.1	90	75	†Dmatek	75	-5	-	-	-	-
100	F.P.	27.3	103	98	Finsbury Tech	103		-	-	-	-
200	F.P.	21.5	203	198	Gearhouse	199		Ln4.4	3.5	2.8	13.0
-	F.P.	14.7	28	24	†Mans & O'seas	25		-	-	-	-
204	F.P.	3,373.5	214½	198	National Grid	199½		Wv11.23	2.3	7.0	9.0
-	F.P.	8.59	78	75	†Nthn Petm	75		-	-	-	-
-	F.P.	6.13	8	8	†Do Wrnts	8		-	-	-	-
-	F.P.	92.7	382	345	†Pet City	382	+2	-	-	-	-
-	F.P.	25.4	152	124	†Polymasc Pharms	127	+2	-	-	-	-
-	F.P.	1.07	105	100	†Revelation P'dilly	100		-	-	-	-
-	F.P.	3.15	3½	3	†Rushmere Wynne	3½		-	-	-	-
133	F.P.	44.9	135	133	Unicorn Intl	134		Wv5.5	2.2	5.1	11.2
-	F.P.	169.8	245	213	Victrex	245	+1½	Lv3.6	2.4	1.9	26.6
-	F.P.	3.90	135	125	†Viewinn	130		-	-	-	-
-	F.P.	47.8	68	53	Warrington	67	+1	v-	-	-	31.5

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3689.0	3691.0	-3.0	3706.0	3683.0	4223	62723
Jun	-	3692.0	-3.0	-	-	0	1118

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4030.0	+5.0	-	-	0	3315

FT-SE 100 INDEX OPTION (LIFFE) (*3677) £10 per full index point

	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P
Jan	180	3½	133	6	91	13½	52	26½	26	51	10	85½	2	134	1	179
Feb	198	11	155	17½	118	28½	82	45½	53½	68½	32	98½	17½	137	8	184
Mar	211½	23½	172	34	134	46	103½	65	76½	88½	53	116	36	151	22½	190
Apr	218	42	180½	53½	149	71	117½	90	93	114	70	142	53	174½	37½	210
Jun†	249½	67½			182½	96½			126	137	79½	182½				

Calls 1,517 Puts 1,261

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P
Jan	154	4½	107½	8	67½	18	38½	38½	16½	65½	5	104½	1½	150½	1	199½
Feb	174	12	138	20	96½	33	65½	51½	41½	77	24	109½	12½	147½	6	190½
Mar	190	26½	151½	37	118	51	88½	70½	62	95½	42½	125½	27½	160	17	198½
Jun	220½	69			165	101			110	142			88	197		
Sept†	276	97½			213½	130½			159½	171			110½	218½		

Calls 2,612 Puts 766 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

FT GOLD MINES INDEX

	Dec 27	% chg on day	Dec 26	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1916.84	-0.8	1933.11	1909.58	1.77	-	2083.86	1637.91
Regional Indices								
Africa (16)	2521.15	+0.2	2516.14	3107.35	3.67	26.52	3191.21	2272.74
Australasia (6)	2378.07	+0.4	2368.59	2381.60	2.10	37.15	2607.57	1788.20
North America (12)	1680.01	-1.7	1708.91	1482.72	0.80	49.84	1831.00	1348.18

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TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	538	418	-4
ASDA Group†	2,400	111	+¼
Abbey National†	261	631	-7
Albert Fisher	2,500	48	-1
Allied Domecq†	1,800	521	+4
Anglian Water	162	604	-3
Argos†	98	599	+4
Argyll Group†	2,200	347	+11
Arjo Wiggins	958	163	-1
Assoc. Brit. Foods†	144	389	-3
Assoc. Brit. Ports	1,600	268	+8
BAA†	2,700	484	+2
BAT Inds.†	3,000	571	-5
BET	835	125	+3
BICC	958	275	
BOC†	790	901	+3
BP†	2,100	642	-3
BPB Inds	731	300	+2
BSkyB†	198	407	-2
BT†	8,600	349	+3
BTR†	7,000	322	+2
Bank of Scotland†	1,500	279	-½
Barclays†	2,500	733	-4
Bass†	663	714	
Blue Circle†	618	339	-1
Booker	44	358	
Boots†	767	565	+4
Britannic	89	755	+6
Brit. Aerospace†	1,100	780	-2
British Airways†	1,200	468	+1
British Gas†	3,100	253½	-1½
British Land	1,300	378	
British Steel†	1,700	161	-2½
Bunzl	1,600	198	-2
Burmah Castrol†	136	937	-5
Burton†	3,500	134½	+1
Cable & Wire†	2,800	456	-5
Cadbury Schweppes†	884	529	-3
Caradon	1,400	194	-3
Carlton Comms.†	1,200	967	+9
Coats Viyella	1,500	177	+2
Comm. Union†	189	627	-3
Compass	244	482	+5½
Cookson†	1,600	305	+6
Courtaulds†	1,000	408	-1
Dalgety	17	406	-1
De La Rue	172	850	+1
Dixons†	2,300	448	-3
East Midland Elect.	225	674	-6
Electrocomps	36	359	+8
Eng China Clays	1,100	374	-3
Enterprise Oil†	347	388	-6
Eurotunnel Units	124	87	
FKI	897	183	+2
Foreign & Col. I.T.†	418	160¼	-¼
Forte†	2,200	328½	-2½
Gen. Accident†	71	653	-7
General Elect.†	6,500	359	+8
Glaxo Wellcome†	1,400	905	+1
Glynwed	372	321	+½
Granada†	420	644	+1
Grand Met.†	2,000	464	+1
GUS†	811	681	-2
Greenalls	866	598	+8
GRE	1,000	268	-3
GKN†	122	779	
Guinness†	662	475	+1
HSBC (75p shs)†	1,200	998	-1
Hammerson	0	349	+1
Hanson†	7,500	192	-½
Harrisons Crosfield	1,300	155	
Hays	237	374	+1
Hillsdown	255	169	+3
IMI	486	327½	+3½
ICI†	836	757	+9
Inchcape	663	245	-1
Johnson Matthey	291	523	+2
Kingfisher†	810	541	-3
Kwik Save	79	504	+1
Ladbroke†	1,700	150	
Land Securities†	187	613	+5
Laporte	124	699	+3
Legal & General†	183	668	-3
Lloyds TSB†	454	343½	+4½
Lloyds Abbey	3,200	449	-4
LASMO†	2,000	174	-5
London Elect.	951	582	-6
Lonrho	1,100	176	-3
Lucas	413	177	+1
MEPC	614	395	+3
MFI	1,200	161	-½
Marks & Spencer†	1,300	445	+3
Mercury Asset Man	86	869	-4
Midlands Elect.	124	786	-3
Morrison (Wm.)	1,000	141	+4
NFC	590	142	-1½
NatWest Bank†	1,700	649	-5
National Grid†	6,100	199½	
National Power†	428	451	+2
Next	530	466	+2
North West Water†	180	617	+1
Northern Elect.	39	831	+9
Northern Foods	1,200	171	+1
Pearson†	575	620	-3
P & O†	1,900	471	-3
Pilkington†	565	197	-1
PowerGen†	530	504	+2
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

FT-SE Actuaries Share Indices — The UK Series

	Dec 28	Day's chge%	Dec 27	Dec 22	Dec 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3676.7	----	3676.4	3658.3	3633.3	3065.6	3.89	2.07	15.55	153.53	1469.73
FT-SE Mid 250	4007.5	+0.2	3999.7	3985.4	3967.3	3498.4	3.65	1.84	16.58	164.94	1578.30
FT-SE Mid 250 ex Inv Trusts	4020.9	+0.2	4012.2	3998.7	3980.9	3501.5	3.79	1.90	17.38	174.03	1594.88
FT-SE-A 350	1824.4	----	1823.5	1815.1	1803.5	1587.0	3.84	2.02	16.10	75.82	1491.78
FT-SE-A 350 Higher Yield	1828.6	----	1828.2	1821.0	1810.6	1557.0	4.72	1.94	14.41	82.23	1240.69
FT-SE-A 350 Lower Yield	1824.7	+0.1	1823.4	1813.6	1801.6	1516.9	2.90	2.34	18.40	58.43	1245.82
FT-SE SmallCap	1938.82	+0.1	1936.42	1931.70	1926.30	1746.09	3.42	1.71	21.38	62.02	1587.38
FT-SE SmallCap ex Inv Trusts	1915.20	+0.2	1912.13	1907.35	1904.32	1715.66	3.88	1.78	19.06	65.00	1558.64
FT-SE-A ALL-SHARE	1796.66	+0.1	1795.71	1787.69	1778.91	1521.15	3.81	2.00	16.39	73.50	1492.70

FT-SE Actuaries All-Share

	Dec 28	Day's chge%	Dec 27	Dec 22	Dec 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3257.50	-0.7	3282.03	3250.40	3236.38	2684.82	3.60	2.02	17.23	116.72	1370.78
12 Extractive Industries(7)	4238.38	-0.2	4248.14	4242.54	4226.27	3761.92	3.49	2.51	14.28	144.17	1215.35
15 Oil, Integrated(3)	3301.80	-0.8	3328.95	3288.58	3276.78	2680.72	3.73	1.98	17.15	123.19	1424.33
18 Oil Exploration & Prod(13)	2116.30	-1.9	2157.26	2139.39	2117.93	1872.41	2.37	1.49	35.23	49.88	1256.16
20 GEN INDUSTRIALS(278)	1958.31	+0.3	1952.86	1938.56	1928.91	1827.22	4.23	1.89	15.61	82.31	1051.52
21 Building & Construction(38)	1039.53	+0.2	1037.97	1030.74	1029.06	985.49	3.88	2.02	15.94	40.32	856.45
22 Building Matls & Merchs(31)	1801.94	-0.1	1802.86	1799.22	1785.79	1773.70	4.10	2.04	14.95	73.55	894.28
23 Chemicals(23)	2330.87	+0.5	2318.18	2313.79	2314.40	2268.99	4.21	1.87	15.90	95.74	1085.43
24 Diversified Industrials(20)	1761.74	+0.3	1756.94	1741.40	1735.19	1736.88	5.80	1.57	14.24	98.09	963.29
25 Electronic & Elect Equip(37)	2241.74	+1.3	2212.12	2182.94	2162.41	1947.77	3.35	2.00	18.70	75.80	1150.08
26 Engineering(66)	2165.65	-0.1	2168.14	2149.53	2136.20	1793.06	3.49	2.27	15.75	74.15	1296.25
27 Engineering, Vehicles(13)	2487.13	+0.3	2479.58	2462.73	2456.07	2177.51	3.78	1.18	28.43	95.42	1268.09
28 Paper, Pckg & Printing(27)	2500.40	-0.1	2503.04	2479.18	2464.26	2737.50	4.03	2.48	12.54	100.00	1025.62
29 Textiles & Apparel(21)	1424.79	+0.3	1420.22	1418.33	1410.31	1512.78	5.03	1.84	13.54	71.88	854.53
30 CONSUMER GOODS(89)	3623.54	----	3622.43	3590.93	3555.68	2786.60	3.76	1.80	18.46	135.14	1314.81
31 Breweries(17)	2831.52	+0.3	2823.49	2793.16	2766.79	2197.84	3.67	1.92	17.73	100.85	1342.82
32 Spirits, Wines & Ciders(9)	2905.40	+0.3	2895.48	2869.01	2824.46	2719.36	4.18	1.78	16.94	125.07	1028.24
33 Food Producers(24)	2558.00	-0.1	2559.55	2551.37	2528.74	2311.62	4.03	1.81	17.10	101.32	1734.50
34 Household Goods(11)	2701.24	+0.1	2699.54	2689.71	2656.27	2372.39	3.55	2.13	16.56	90.95	1014.22
36 Health Care(17)	1896.13	+0.2	1892.85	1897.59	1900.23	1560.53	2.79	1.79	25.16	50.01	1138.40
37 Pharmaceuticals(10)	5071.19	+0.1	5065.86	5014.59	4986.49	3263.23	3.25	1.70	22.59	162.31	1693.72
38 Tobacco(1)	4836.87	-0.9	4879.23	4807.23	4790.28	3814.47	4.86	1.84	12.98	229.23	1170.18
40 SERVICES(227)	2223.06	+0.4	2214.94	2205.40	2181.81	1886.33	3.03	2.10	19.68	67.75	1139.17
41 Distributors(30)	2560.81	+0.7	2543.43	2539.90	2528.38	2498.23	3.82	1.78	18.09	101.56	932.01
42 Leisure & Hotels(30)	2626.37	+0.1	2623.13	2605.75	2582.35	2110.66	3.09	1.89	21.45	74.16	1345.54
43 Media(43)	3438.06	----	3438.73	3443.13	3418.60	2798.00	2.06	2.36	26.42	81.45	1230.42
44 Retailers, Food(16)	2003.91	+1.6	1972.42	1954.38	1935.60	1753.37	3.64	2.40	14.28	72.35	1254.81
45 Retailers, General(43)	1940.81	+0.2	1936.25	1910.41	1911.64	1581.62	3.08	2.26	17.94	59.64	1083.97
48 Support Services(38)	1882.44	+0.2	1878.32	1880.17	1868.18	1457.15	2.45	2.53	20.12	44.55	1194.52
49 Transport(20)	2165.86	+0.3	2160.07	2158.61	2142.21	2199.02	4.03	1.30	23.76	86.39	889.43
51 Other Services & Business(7)	1083.23	-0.1	1084.63	1084.63	1084.63	1243.35	4.35	1.58	16.14	50.09	979.70
60 UTILITIES(36)	2447.68	----	2448.00	2458.51	2452.87	2418.42	5.04	2.04	12.18	153.43	1023.68
62 Electricity(14)	2736.80	----	2736.50	2756.74	2742.71	2583.65	5.03	2.62	8.47	241.63	1273.82
64 Gas Distribution(2)	1685.09	-0.4	1691.12	1697.51	1706.74	2071.32	7.11	1.04	16.90	118.82	845.43
66 Telecommunications(7)	1961.16	----	1960.47	1969.63	1964.64	1962.74	4.31	1.74	16.67	86.02	887.69
68 Water(13)	2162.32	+0.1	2160.69	2156.40	2151.48	1821.49	5.50	2.66	8.55	123.83	1170.65
69 NON-FINANCIALS(653)	1900.90	+0.1	1899.44	1889.08	1877.73	1644.94	3.84	1.95	16.64	76.51	1417.78
70 FINANCIALS(112)	2853.92	----	2854.56	2854.23	2835.72	2149.61	3.87	2.32	13.56	136.00	1205.27
71 Banks, Retail(8)	4046.40	+0.1	4043.66	4046.47	4016.16	2858.48	3.70	2.80	12.98	206.09	1297.12
72 Banks, Merchant(6)	3596.56	+1.8	3532.57	3521.80	3517.84	2947.02	2.59	2.41	20.03	104.97	1127.49
73 Insurance(25)	1420.33	-0.7	1429.71	1432.26	1418.34	1146.78	5.18	2.66	8.99	73.60	1040.97
74 Life Assurance(6)	3350.05	-0.5	3365.46	3371.30	3344.32	2354.68	4.16	1.53	19.64	136.72	1364.82
77 Other Financial(22)	2355.16	-0.2	2361.09	2361.97	2355.54	1842.08	3.81	1.85	17.73	77.87	1320.51
79 Property(45)	1417.32	+0.4	1412.06	1398.94	1395.72	1413.59	4.40	1.33	21.42	62.91	859.55
80 INVESTMENT TRUSTS(133)	3012.48	-0.1	3015.37	3003.01	2990.89	2696.32	2.24	1.04	53.50	66.81	1042.49
89 FT-SE-A ALL-SHARE(899)	1796.66	+0.1	1795.71	1787.69	1776.91	1521.18	3.81	2.00	16.39	73.50	1492.70
FT-SE-A Fledgling	1102.85	+0.2	1100.89	1099.21	1097.44	-	2.89	1.22	35.39	33.30	1139.32
FT-SE-A Fledgling ex Inv Trusts	1105.86	+0.2	1103.34	1101.51	1099.53	-	3.04	1.26	32.13	32.32	1141.56

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3671.2	3673.6	3678.3	3678.9	3685.7	3687.9	3679.1	3678.3	3676.9	3687.9	3671.2
FT-SE Mid 250	4000.2	4002.4	4005.2	4005.9	4007.3	4007.9	4008.0	4007.6	4007.6	4008.8	4000.2
FT-SE-A 350	1821.5	1822.4	1824.8	1825.1	1827.8	1826.8	1825.3	1825.0	1824.4	1828.8	1821.5

Time of FT-SE 100 Day's high: 12.47pm Day's low: 8.30am. FT-SE 100 1995 High: 3690.4 (1.12) Low: 2954.2 (23.1).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1049.0	1049.4	1048.9	1049.6	1051.5	1051.5	1049.1	1049.1	1048.5	1049.2	1049.0	+0.2
Pharmaceuticals	5007.3	5007.3	5022.6	5027.2	5035.2	5035.2	5023.5	5018.2	5011.8	5011.8	5006.2	+5.6
Water	2161.6	2160.8	2162.1	2163.5	2163.1	2162.7	2162.2	2160.7	2156.4	2156.4	2155.0	+1.4
Banks, Retail	4058.7	4069.4	4070.6	4067.2	4061.6	4084.7	4074.2	4086.2	4104.1	4098.0	4095.3	+2.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Dixons (FT-SE Mid 250), FirstBus (FT-SE SmallCap), Ticketing (Fledgling), Slack & Edington (Fledgling), Herring Baker (Fledgling), Harmony Property (Fledgling). INSERT: Dixons (FT-SE 100), FirstBus (FT-SE Mid 250). MERGER: Lloyds Bank & TSB to form Lloyds TSB Group (FT-SE 100).

مكرر من الاصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 28 / Sch)

BELGIUM/LUXEMBOURG (Dec 28 / Frs.)

CZECH REP (Dec 15 / Koruna)

DENMARK (Dec 28 / Kr)

FINLAND (Dec 28 / Mka)

FRANCE (Dec 28 / Frs.)

GERMANY (Dec 28 / Dm.)

GREECE (Dec 28 / Drachma)

ITALY (Dec 28 / Lira)

NETHERLANDS (Dec 28 / Fls.)

NORWAY (Dec 28 / Kroner)

POLAND (Dec 28 / Zloty)

PORTUGAL (Dec 28 / Escudo)

SPAIN (Dec 28 / Pta.)

SWEDEN (Dec 28 / Kronor)

SWITZERLAND (Dec 28 / Frs.)

TURKEY (Dec 28 / TL Lira)

PACIFIC

JAPAN (Dec 28 / Yen)

HONG KONG (Dec 28 / H.K.$)

INDONESIA (Dec 28 / Rupiah)

MALAYSIA (Dec 28 / MYR)

NEW ZEALAND (Dec 28 / NZ $)

SINGAPORE (Dec 28 / S$)

AUSTRALIA (Dec 28 / Aust$)

SOUTH KOREA (Dec 27 / Won)

TAIWAN (Dec 28 / TW $)

THAILAND (Dec 28 / Baht)

NORTH AMERICA

CANADA

TORONTO (Dec 28 / Can $) 4 pm close

MONTREAL (Dec 28 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Dec 28 / Rand)

INDICES

	Dec 28	Dec 27	Dec 26	1995 High		1995 Low	
Argentina							
General(29/12/77)	(u) 16236.73	16255.93	19901.18		2/1	9831.08	9/3
Australia							
All Ordinaries(1/1/80)	2200.0	2201.1	(c)	2225.60	13/12	1823.30	8/2
All Mining(1/1/80)	995.4	1001.0	(c)	1029.80	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	344.91	343.86	(c)	385.42	2/1	328.80	27/10
Traded Index(2/1/91)	959.79	953.89	(c)	1056.31	2/1	882.15	23/10
Belgium							
BEL20(1/1/91)	1559.44	1554.40	(c)	1559.44	28/12	1271.88	9/3
Brazil							
Bovespa(29/12/83)	(u)	43463.0	43640.0	46812.00	19/9	21382.80	9/3
Canada							
Metals Mins(1975)	(u)	4821.46	(c)	5206.37	23/11	3908.83	1/3
Composite(1975)	(u)	4694.20	(c)	4745.18	6/12	3981.41	30/1
Portfolio(4/1/83)	(u)	2309.82	(c)	2342.77	11/12	1953.38	30/1
Chile							
IGPA Gen(31/12/80)	(u)	5739.82	5752.84	6363.19	11/7	4678.89	9/3
Denmark							
Copenhagen SE(3/1/83)	365.09	364.13	(c)	376.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	1732.17	1714.77	(c)	2332.22	14/8	1655.30	29/3
France							
SBF 250(31/12/90)	1232.92	1230.22	1225.05	1322.30	12/5	1164.41	13/3
CAC 40(31/12/87)	1879.06	1877.03	1868.67	2017.27	12/5	1721.14	28/10
Germany							
FAZ Aktien(31/12/58)	816.15	815.80	(c)	840.76	19/9	768.87	30/3
Commerzbank(1/12/53)	2367.80	2370.40	(c)	2427.50	19/9	2016.29	30/3
DAX(30/12/87)	2275.94	2280.43	(c)	2317.01	15/9	1910.95	28/3
Greece							
Athens SE(31/12/80)	910.93	899.80	(c)	988.09	4/8	787.16	19/6
Hong Kong							
Hang Seng(31/7/64)	9998.17	9965.28	(c)	10032.88	17/10	6967.93	23/1
India							
Japan							
Topix(4/1/68)	1572.42	1585.87	1577.28	1585.87	27/12	1193.16	13/6
2nd Section(4/1/68)	2055.91	2050.65	2029.46	2130.88	4/1	1441.99	13/6
Malaysia							
KLSE Comp.(4/4/86)	993.93	984.12	984.53	1085.04	5/6	840.87	24/1
Mexico							
IPC(Nov 1978)	(u)	2812.56	2825.40	2834.39	21/12	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	530.9	530.6	(c)	530.98	28/12	422.90	23/3
CBS All Shr(End 83)	321.5	321.3	(c)	321.50	28/12	265.20	23/3
New Zealand							
Cap. 40(1/7/86)	2138.39	2135.17	(c)	2208.82	20/10	1901.43	5/1
Norway							
Oslo SE(ind)(2/1/83)	1253.67	1248.18	(c)	1282.18	18/10	1036.08	10/3
Philippines							
Manila Comp(2/1/85)	2558.07	2533.59	2585.53	2958.32	10/7	2196.48	20/11
Portugal							
BTA(1977)	2476.0	2480.9	(c)	2871.80	9/1	2412.90	22/11
Singapore							
SES All-Singa(2/4/75)	551.46	553.55	555.10	558.94	22/12	472.90	23/1
South Africa							
JSE Gold(28/9/78)	1347.0	1357.1	(c)	2023.08	2/1	1250.29	30/10
JSE Ind.(28/9/78)	7876.7	7863.4	(c)	7891.30	22/12	6222.00	31/1
South Korea							
KoreaCompEx(4/1/80)	(c)	882.94	876.37	1027.37	2/1	847.09	27/5
Spain							
Madrid SE(30/12/85)	317.24	312.80	319.64	319.65	22/12	284.06	23/3
Sweden							
AffarsvaldnsGen(1/2/37)	1735.0	1728.4	(c)	1872.10	19/9	1438.80	29/3
Switzerland							
Swiss Bk Ind(31/12/58)	1529.82	1531.30	(c)	1531.30	27/12	1174.83	13/3
SBC General(1/4/87)	1132.01	1128.28	(c)	1128.28	27/12	820.58	13/3
Taiwan							
Weighted Pr(30/6/66)	5108.18	5071.55	5105.37	7051.49	5/1	4503.37	14/8
Thailand							

US INDICES

Dow Jones	Dec 27	Dec 26	Dec 22	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5105.82	5110.26	5097.97	5216.47 (13/12)	3832.08 (30/1)	5216.47 (13/12/95)	41.22 (2/7/32)
Home Bonds	104.99	104.98	105.02	105.34 (11/12)	93.63 (3/1)	108.77 (15/10/93)	54.99 (1/10/81)
Transport	1959.47	1952.76	1954.93	2002.11 (5/12)	1472.10 (3/1)	2002.11 (5/12/95)	12.32 (8/7/32)
Utilities	223.87	223.94	223.45	223.94 (26/12)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5146.74 (5149.27) Low 5077.74 (5072.32) (Theoretical)
Day's high 5126.51 (5117.12) Low 5096.33 (5087.97) (Actual)

Standard and Poors	Dec 27	Dec 26	Dec 22	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite‡	614.53	614.30	611.96	621.69 (13/12)	459.11 (3/1)	621.69 (13/12/95)	4.40 (1/6/32)
Industrials	718.87	720.62	718.44	731.86 (13/12)	546.26 (3/1)	731.86 (13/12/95)	3.62 (21/6/32)
Financial	61.96	61.80	61.20	63.66 (6/12)	41.84 (3/1)	63.66 (6/12/95)	8.64 (1/10/74)
NYSE Comp.	328.13	327.64	326.35	331.17 (13/12)	250.73 (3/1)	331.17 (13/12/95)	4.46 (25/4/42)
Amex Mkt Val	544.70	543.77	541.65	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1048.13	1049.37	1046.80	1069.79 (4/12)	743.58 (3/1)	1069.79 (4/12/95)	54.87 (31/10/72)

■ RATIOS

	Dec 22	Dec 15	Dec 8	Year ago
Dow Jones Ind. Div. Yield	2.31	2.27	2.27	2.78
	Dec 27	Dec 20	Dec 13	Year ago
S & P Ind. Div. yield	1.98	2.02	1.95	2.47
S & P Ind. P/E ratio	18.76	18.49	19.06	18.40

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Pacific Tel	5,558,500	33⅜	+¼
Kmart	4,126,100	6⅝	—
Micron	3,545,700	41⅞	−1⅛
WalMart	3,441,800	22⅝	+⅛
Repsol	2,717,300	32¼	−⅛
Telefonos	2,484,000	32¾	−½
Coca Cola	2,240,800	74⅛	+⅛
PNC Bank	1,701,000	31½	+1⅛
GTE Corp.	1,636,200	44	+⅛
Merck	1,603,900	64⅞	−1⅛

■ TRADING ACTIVITY

● Volume (million)	Dec 27	Dec 26	Dec 22
New York SE	252.310	217.091	289.605
Amex	17.264	14.891	17.583
NASDAQ	365.466	344.024	431.759
NYSE			
Issues Traded	3,095	3,056	3,094
Rises	1,351	1,281	1,361
Falls	997	1,026	954
Unchanged	757	769	769
New Highs	145	152	186
New Lows	28	17	13

■ INDEX FUTURES

■ CAC-40 (500 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1880.0	1875.0	−8.0	1887.0	1874.0	10,085	16,488
Jan	1888.5	1883.5	−8.0	1893.0	1883.0	10,340	24,023
■ DAX							
Mar	2295.0	2290.0	−9.5	2297.5	2287.0	4,870	12,180
Jun	2308.5	2303.5	−7.5	2307.0	2303.0	42	1,005

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	1369.00	1363.00	−8.00	1378.00	1363.00	2,103	16,488
Feb	1375.00	1375.00	+0.50	1375.00	1375.00	6	6
■ SOFFEX							
Mar	3316.0	3302.0	−17.0	3332.0	3299.0	2,468	12,180
Jun	3317.0	3307.0	−7.0	3317.0	3317.0	74	1,005

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	619.20	617.40	−1.80	619.40	617.25	26,535	189,739
Jun	622.90	623.10	−1.80	623.10	622.75	209	6,366

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	20030.0	19900.0	−120.0	20050.0	19900.0	13,035	137,382
Jun	19990.0	19940.0	−60.0	20010.0	19940.0	47	18,186

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrials, plus Utilities, Financial and Transportation. ◆ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, December 28, 1995

	Stocks Traded	Closing Prices	Change on day
Mitsui Eng	10.1m	285	−3
Taiyo Toyo	8.0m	608	+100
Hanwa	7.9m	438	−17
Japan Energy	6.5m	350	+3
Nippon Oil	5.9m	640	+20
NKK	5.2m	280	+2
Nip Steel	5.0m	348	−3
Osaka Gas	5.0m	359	+5
Keisei Ele	4.6m	880	+6
Toshiba	4.6m	798	−3

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close December 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
21 7/8	12 1/8	AAR	0.48	2.2	26	732	u21 7/8	21 1/8	21 7/8	+7/8
46 1/4	35	AMP	0.92	2.4	19	2161	38 5/8	38 1/8	38 1/2	+1/8
80 1/4	53 3/8	AMR			17	5310	73 1/8	72 1/4	73 1/4	-3/8
47 7/8	35 3/8	ASA	1.71	4.6	24	387	37 7/8	37 1/4	37 3/8	-3/8
44 3/4	30 1/8	AbbtL	0.84	2.0	20	12838	41 5/8	40 1/8	41 1/4	+1
16 7/8	12	AbitiPr	0.40	2.8	7	1084	14 1/8	14	14 1/8	-1/8
28 1/2	21	ABM Ind	0.70	2.3	15	49	27 7/8	21 3/4	27 7/8	
17 1/2	13 1/8	Acptnceln			10	148	15 1/8	15	15	
40	21 7/8	ACE Ltd x	0.56	1.4	9	187	39 1/4	39	39	-1/4
9 7/8	9 1/8	ACM Gvt In x	0.48	5.2	8	634	9 1/4	9 1/8	9 1/8	
7 3/4	6 1/2	ACM GvOpp	0.65	9.1		172	7 3/8	7 1/4	7 1/4	-1/8
7 1/2	5 3/4	ACM Gvt Sp	0.70	11.3		1585	6 5/8	6 1/2	6 5/8	+1/8
8 3/4	7 1/4	ACM Gvt Se x	0.24	2.8		799	8 1/2	8 3/8	8 3/8	
8 1/2	7 5/8	ACM Man	0.80	10.1		430	8 7/8	8 3/4	8 7/8	
29 1/4	18 1/4	AcmeCh	0.48	2.7	32	162	18	17 1/4	18	+3/4
38 3/4	7 1/8	Acme Elect			71	403	8 7/8	8 5/8	8 5/8	+1/8
34 1/2	23 1/4	Acordia	0.72	2.4	16	12	29 3/4	29 3/4	29 3/4	+1/8
16 3/4	10 1/2	Acuson			38	195	12 1/2	12 3/8	12 3/8	
19 5/8	15 5/8	Adams Expr	0.48	2.6	0	330	18 3/4	18 1/2	18 1/2	-1/8
38 7/8	2 7/8	AdvMic			5	7014	17	16 1/2	16 5/8	-1/8
9 3/4	5	Advest Grp	0.16	1.8	11	43	8 3/4	8 1/2	8 3/4	+3/8
27 1/2	16 1/2	Advo Inc x	0.10	0.4	18	126	25 7/8	25 3/4	25 7/8	
44 3/8	24.80	Aegon	1.26	2.8	16	41	44 1/8	43 3/4	44 1/8	+3/8
5 7/8	3 3/8	Aerflx			8	421	4 1/2	4 3/8	4 3/8	+1/8
76 3/4	48 3/4	AetnaL	2.70	3.9	33	1234	70 1/4	69 5/8	70 1/4	-1/4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

4 pm close December 29

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AMEX COMPOSITE PRICES

4 pm close December 29

AMERICA

Warning on profits hurts hi-tech stocks

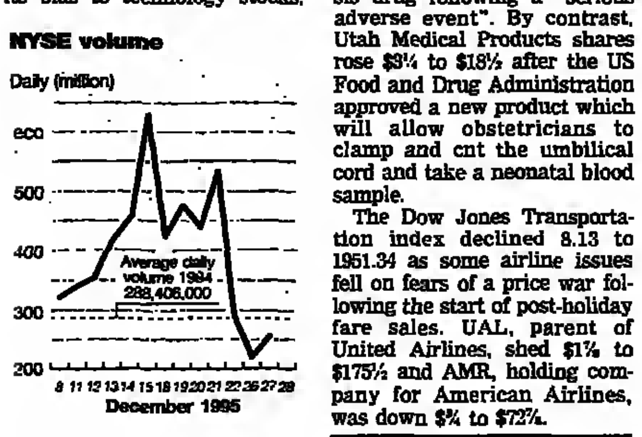
Wall Street

The US stock market weakened yesterday, weighed down once more by falling technology shares and lacking any firm lead from the bond market. Trading continued to be thin following the Christmas break, *writes Maggie Urry in New York.*

At 1 pm the Dow Jones Industrial Average was off 9.39 at 5,096.53 and the Standard & Poor's 500 down 0.63 at 613.90, while the American Stock Exchange composite fell 2.17 to 542.53. NYSE volume was light at 165m shares.

The Nasdaq composite, with its bias to technology stocks, fell by more than the other main indices, down 7.56 to 1,040.57.

NYSE volume



Within the Dow's 30 shares, IBM was the largest faller, losing $1½ to $90½.

Profits warnings from two technology groups, issued after the market closed on Wednesday, cut their share prices yesterday. Cirrus Logic, the chip maker, had warned that its third-quarter earnings, to December 31, would fall well short of analysts' estimates. Slower than expected growth in the home PC market adversely affected sales, and earnings would be around 13 to 19 cents a share, Cirrus said.

Analysts had forecast 44 cents a share for the quarter. Cirrus shares dropped $6¾ or 25 per cent to $20¼.

The fall affected other chip stocks, with Intel down $1¾ to $57⅛, and hit computer makers, such as Compaq Computer, $2⅛ lower at $46¾.

At Tekelec, which makes testing equipment for the telecommunications industry, a warning that fourth-quarter earnings per share would be around break even, compared with forecasts of 21 cents a share, left the stock down $6 or 38 per cent at $9¾.

Shares in Seragen fell $2 to $3⅞ after it said it was stopping a clinical trial of a psoriasis drug following a "serious adverse event". By contrast, Utah Medical Products shares rose $3¼ to $18½ after the US Food and Drug Administration approved a new product which will allow obstetricians to clamp and cut the umbilical cord and take a neonatal blood sample.

The Dow Jones Transportation index declined 8.13 to 1951.34 as some airline issues fell on fears of a price war following the start of post-holiday fare sales. UAL, parent of United Airlines, shed $1⅞ to $175½ and AMR, holding company for American Airlines, was down $¾ to $72⅞.

Canada

Toronto was flat in very quiet and directionless midday trade and the TSE 300 composite index at noon was 2.97 easier at 4,681.19 in volume of just 17.1m shares.

Technology stocks were under pressure, meeting the same fate as their US counterparts after Cirrus Logic warned that it would have lower than expected fiscal third-quarter earnings.

Newbridge Networks lost C$1 to C$56⅝, Spectrum Signal Processing gave up C$⅞ to C$18⅝ and Gandalf Technologies fell C$½ to C$23.

Santiago rallies

Santiago rallied after two days of losses, with the market boosted by year-end buying mainly from domestic pension and mutual funds.

The IPSA index had moved forward 13.41 to 5,753.23 by late morning.

Chilgener, the electricity utility, advanced 2.4 per cent to 2,520 pesos on news that Smith Barney in the US had upgraded the stock to outperform from buy.

MEXICO CITY was weaker at the opening and by midsession had made little progress. The IPC index was off 25.55 at 2,787.01 in volume of less than 4m shares.

SAO PAULO weakened steadily during the morning session and by early afternoon the Bovespa index was down 597 or 1.4 per cent at 42,865.

BUENOS AIRES saw some profits taken and by midsession the Merval index had dipped 3.22 to 513.92.

Dealers said that the market was still awaiting passage of legislation which would give President Carlos Menem power to help balance the budget.

Quiet S Africa closes easier

Johannesburg finished a quiet day weaker, with golds dampened by a duller bullion price and industrials suffering from a general lack of interest.

The overall index slipped 10.6 to 6,236.9, industrials softened 4.7 to 7,978.7 and golds retreated 10.1 to 1,347.0.

Among the declining gold issues, Freegold receded R1 to a 1995 low of R28, Dries was off 75 cents at R46 and Western Deep dipped R2 to R122.

Industrial shares finished mixed, with some issues experiencing heavy trading.

The banking sector looked weak, with Nedcor and FNB each retreating 50 cents to close at R63.50 and R33.25 respectively.

M & R, the construction and engineering combine, relinquished 25 cents at R25.75 in volume of 2.3m shares, and Richemont, the luxury goods and tobacco concern, was also heavily traded but ended flat at R55.15.

Among conglomerates, C.G. Smith was 50 cents harder at R28, while AECI tacked on 75 cents at R21.75.

EUROPE

Zurich stumbles, Amsterdam hits new 1995 high

The week's strong performers were mixed, each on their last trading day of the year. AMSTERDAM just managed to break into record territory by the end of the day, the AEX index rising 0.33 to 485.35, after the central bank left the rate for its special advances unchanged at 3.4 per cent.

Brokers said that most investors were busy squaring positions. Among the most active issues, Philips slipped 60 cents to Fl 58, Royal Dutch moved down 80 cents to Fl 224.20, Nedlloyd hardened 90 cents to Fl 36.40 and Elsevier was ahead 40 cents at Fl 21.40.

ZURICH receded after an all-time high on Wednesday. The SMI index fell 19.4 to 3,297.7, up 0.6 per cent on the week and taking the rise over the year to 25.4 per cent.

Roche certificates settled SFr45 lower at SFr9,125, but not before they had extended Wednesday's SFr225 surge to a record intra-day peak of SFr9,270. Against the trend, Sandoz registered saw good demand and moved forward SFr9 to SFr1,056.

FRANKFURT's turnover fell again, from DM3.7bn to DM3.3bn, as the Dax index closed 6.54 lower at an Ibis-indicated 2,273.90, once again trading in an extremely narrow range.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

Dec 28 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	close
FT-SE Eurotrack 100	1494.13	1493.56	1493.55	1493.15	1493.11	1493.93	1491.45	1492.17
FT-SE Eurotrack 200	1604.73	1603.55	1603.72	1605.09	1606.06	1603.33	1600.41	1597.89

	Dec 27	Dec 22	Dec 21	Dec 20	Dec 19
FT-SE Eurotrack 100	1490.10	1479.19	1466.57	1463.89	1450.49
FT-SE Eurotrack 200	1602.58	1587.34	1571.89	1581.70	1552.29

Base 1000 (26/10/90); Highday: 100 - 1494.27; 200 - 1606.06 Lowday: 100 - 1491.07 200 - 1596.95 † Partial

The main Ibis losers were Merck, down 84 pfgs at DM58.60, and Deutsche Bank, 59 pfgs lower at DM68.30. There was no obvious evidence of year-end window dressing, said analysts; there was a current broker's survey on pharmaceuticals which was bearish on balance, but Merck did not figure in the recommendations.

PARIS featured a FFr5 rise to FFr331.80 in Total, which announced that it was in a "very advanced" stage in its negotiations with Algeria about an exploitation deal for an oil field close to the Libyan border.

The CAC-40 index gained just 2.03 at 1,879.06 in turnover of FFr3bn. Lyonnaise des Eaux fell FFr4.40 to FFr466 as it said that it had now acquired 65.3 per cent of Northumbrian Water Group, of the UK.

MILAN overcame early profit-taking, and the Comit index registered a gain of 0.90 to 588.75, while the real-time Mibtel index picked up from a day's low of 9,340 to finish 16 higher at 9,418.

Among the day's gainers, Stet put on L36 at L4,503, as further doubt was cast on its costly and risky planned venture in Russia with Svyazinvest; a statement from the Russian privatisation centre said that the Italian group might be excluded from a new international tender next year for a major stake in the Russian telecommunications company.

The upbeat mood spilled over to Tim, which moved up L58 to L2,768.

However, continuing fears that Mediobanca would sell its 9.9 per cent stake in Ferruzzi, to avoid the need for a public offer, left the latter L8 lower at L1,021.

MADRID recovered the greater part of Wednesday's technical losses, the general index rising 4.44 to 317.24 and the Ibex 35 61.85 to 3,599.21 in turnover of around Pta31bn.

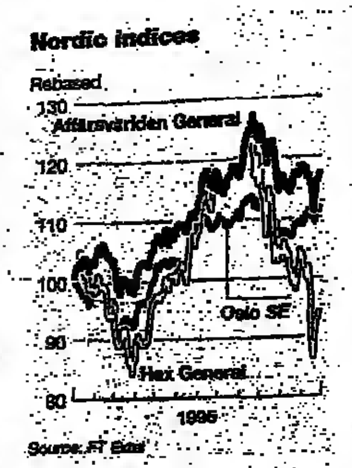
Banesto, Endesa and Repsol rose by 6.7, 5.7 and 3.8 per cent respectively; but Huarte, the construction group just back from suspension, regretted some of Wednesday's enthusiasm and fell Pta45, or 7.3 per cent to Pta575.

VIENNA closed at a two week high although turnover was low. The ATX index firmed 5.90 or 0.6 per cent to 959.79. The session's main gainer was Vienna Airport, up Sch20 to Sch680. Other strong performers were Boehler-Uddeholm, which rose Sch20 to Sch770.

ISTANBUL suffered from post-election uncertainty and volatility in money and currency markets. The composite index shed 1,200.05 or 2.9 per cent to 39,520.71, down 6.4 per cent on the week so far after last week's 6.5 per cent rise.

Turnover shrank to TL7,100bn from Wednesday's TL11,000bn. The market fluctuated sharply in the morning due to central bank action to curb the dollar's strong rise. Meanwhile, said analysts, investors were hoping that a centre-right alliance would emerge after consultations.

Nordic indices



HELSINKI, once the best performing market in Europe, ended the year with a fall of more than 7 per cent as the Hex index closed 8.92 lower at 1,704.20. Its former star and recent laggard, the telecoms group Nokia, saw its A shares fall FM6.50 to FM168, nearly 4 per cent lower on the year. Analysts were uncertain about 1996, worrying about pulp price prospects and slower economic growth.

STOCKHOLM incorporated gains of 1.2 per cent in construction and 1.3 per cent in banks as the Affärsvärlden General index rose 8.6 to 1,735.0. Rate sensitives reflected a further decline in bond yields, with S-E-Banken up SKr0.50 to SKr55.50, Handelsbanken up SKr1.50 at SKr139 and the construction and real estate group, Skanska, SKr2.50 higher at SKr230.50.

OSLO lost a modicum of the 7.7 per cent, two day gain in Kvaerner which bridged the Christmas holiday, the shares easing NKr3 to NKr227. However, Norsk Hydro rose NKr1 to NKr263 in some tidying up ahead of the New Year holiday, and the total index closed 4.59 higher at 729.52.

WARSAW paused for reflection following a two session rebound, the Wig index falling 5.9 to 7,653.6. Analysts said that selling pressure was behind a rise in turnover of 42 per cent to 44m zlotys.

Brokers said that political uncertainty over allegations that the prime minister had spied for Moscow was restraining interest in equities.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Nikkei turns back to finish below 20,000-point level

Tokyo

Selling by corporate investors depressed share prices and the Nikkei average broke its six-day winning streak to finish below the 20,000 level, *writes Emiko Terazono in Tokyo.*

The 225-share index lost 138.63 at 19,873.13 after moving between 19,867.85 and 20,023.52. The Topix index of all first section stocks shed 13.45 to 1,572.42 and the Nikkei 300 dipped 2.96 to 294.68. Declines led advances by 588 to 478, with 148 issues unchanged.

In London the ISE/Nikkei 50 index eased 0.42 to 1,372.43.

Volume came to 480m shares, against 564m. Buying orders from investment trust funds and US brokers were offset by corporate investor selling, and by arbitrage linked index activity.

Traders said that most investors stayed away, with buyers especially reluctant to increase their holdings after an 870-point rise over the previous six days. Banks suffered the largest decline, with Sumitomo Bank off Y80 to Y2,230 on profit-taking, and Fuji Bank down Y80 at Y2,280.

Some high-technology issues rebounded, after having followed previous weakness on Wall Street. Hitachi gained Y10 at Y1,040 and Mitsubishi Electric Y6 at Y743. Other semiconductor related stocks fell on profit-taking.

A rise for Sony of Y20 to Y6,150 established a new high for the year. Traders said investors were attracted by the company's improving profitability in the latter half of the current business year, due to the yen's decline against the dollar. Some investors bought the stock on expectation that the company will launch a new home-use, information-related product next year.

Some drugs shares were higher on expectations that the cold spell would help sales. Hisamitsu Pharmaceutical climbed Y89 to Y1,020 and Tanabe Seiyaku Y24 to Y726.

Speculators continued to target mining stocks on hopes of a rise in demand for coal following the accident at Monju, Japan's newest nuclear reactor. Sumitomo Metal Mining rose Y24 to Y936.

In Osaka, the OSE average put on 0.15 at 21,468.85 in volume of 58.4m shares. Nintendo, the video game maker, fell Y150 to Y7,850 on profit-taking.

Roundup

An official report that regulators had given final approval for two new share offers next week left SHENZHEN's A index in retreat. It slid 2.16 to 116.32 in turnover of Yn109m, after Wednesday's Yn115m.

Guizhou Tyre said it would offer 36m class A shares next Thursday, and Hengyang Chinese Traditional Medicine said it would issue 10m A shares the following day.

Brokers said there were fears that Shenzhen's equity market was expanding too quickly, and that new share offers were causing funds to be diverted from existing issues.

Trading of B shares continued to be sluggish in the run-up to the new year, analysts said. The index shed 0.30 to 59.48 as turnover contracted to HK$4.24m from HK$8.48m.

SHANGHAI's B index was firmer in active trading as institutions indulged in window-dressing prior to the year-end. It rose 1.6 per cent to 48.537 in volume of 5.1m shares worth HK$1.9m.

Shanghai Steel Tube, well supported on Wednesday, was the session's main loser as profits were taken. The stock fell 8.1 per cent to 13 cents in volume of 22,000 shares.

But Shanghai Jintai was bought on expectations for growth in the country's construction machinery market, and the shares made 10 per cent to 26 cents.

The A index lost 14.995 or 2.5 per cent to 576.431 in volume of 75.9m shares worth Yn390.8m.

HONG KONG edged ahead at the close, reversing sharp opening losses blamed on index futures-linked selling. The Hang Seng index finished 12.94 higher at 9,998.17, against a day's low of 9,873.78, as turnover improved to HK$3.6bn.

SINGAPORE encountered light profit-taking on selected blue chips which took the Straits Times Industrial index down 16.16 to 2,254.19, but most of the volume came in by rumour driven second-liners.

Among these, SPP surged 9 cents to S$1.33 on takeover talk but its parent company, Tuan Sing Holdings, said it had no comment on the activity.

TAIPEI moved higher in listless trade as investors speculated that the central bank might announce a looser monetary policy at a news conference later in the day.

The weighted index closed 36.63 ahead at 5,108.18, but turnover was low at T$32.2bn. Buying was seen in glass, electronics and plastics shares. In electronics, ADI advanced T$1.20 to T$28.30 and Silitek T$1.10 to T$32.80.

KUALA LUMPUR had afternoon bargain hunting in selected blue chips to support the index, but brokers said the main focus was on second and third-line stocks. The composite index added 9.81 at 993.93 in volume of 145.2m shares.

Perfect Food dropped M$2.15 to M$8.35 after the company confirmed that it was aware of rumours that a major shareholder was negotiating to sell its stake.

BANGKOK continued to be hurt by worries regarding the resignation of the head of the Securities and Exchange Commission earlier in the week. The SET index lost 8.14 to 1,271.00 in turnover of Bt5.4bn.

Prices of several large-capitalisation shares rose on late buying, including Bangkok Bank, which closed Bt2 down at Bt214, off a session's low of Bt210. Krung Thai Bank, the day's most active stock, eased Bt1 to Bt104.

SYDNEY was little changed in the absence of fresh leads. The All Ordinaries index ended 1.1 off at 2,200.0 after an intraday low of 2,193.9. Turnover was A$348.4m in volume of 148.8m shares.

BHP declined 9 cents to A$19.09 after announcing that it was confident of winning approval for the acquisition of Magma Copper. One broker said that the stock had been hit by speculation that BHP may have paid too much for Magma. Seven Network finished 5 cents up at A$3.79 after announcing that it had purchased Golden West Network for A$68m.

JAKARTA saw buying of Telkom on the last trading day of 1995. The composite index rose 0.98 to 513.85 after touching the day's low of 510.57.

Brokers said that the recent rally helped the index to rebound to 513.85, approaching the year's high of 519.18 recorded on August 11.

Telkom moved forward Rp100 to Rp3,000, with some 6.6m shares traded.

KARACHI fell back but closed off the session's low on a late bout of bargain hunting. The KSE 100-share index lost 11.09 at 1,499.28. Declines led rises by 183 to 130.

COLOMBO remained caught in a groove but turnover was swelled by heavy overseas buying in the finance sector.

The all-share index rose a modest 1.40 to 661.20 in turnover up to SLRs27.15m from Wednesday's SLRs12.35m.

LEGAL NOTICES

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY DECEMBER 27 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY DECEMBER 26 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	191.52	0.9	181.95	124.42	142.52	170.24	-0.1	3.93	189.77	180.94	122.83	141.41	170.50	191.86	157.95	172.39
Austria (26)	174.16	0.5	165.46	113.14	129.59	129.51	0.4	1.61	173.26	165.19	112.14	129.10	129.03	199.28	157.48	178.54
Belgium (34)	208.13	0.7	197.73	135.21	154.87	150.90	0.3	3.47	206.77	197.15	133.83	154.08	150.49	208.13	166.62	167.12
Brazil (28)	139.57	-0.1	132.60	90.67	103.86	249.33	0.0	1.77	139.67	133.17	90.40	104.08	249.33	183.17	86.06	153.52
Canada (101)	147.92	-0.7	140.53	96.09	110.07	145.60	-0.5	2.56	148.97	142.03	96.42	111.00	146.76	150.83	121.81	129.26
Denmark (33)	286.85	0.8	272.52	186.34	213.45	216.21	0.7	1.51	284.42	271.19	184.09	211.93	214.75	295.99	245.09	245.09
Finland (25)	187.75	-0.2	178.38	121.96	139.70	171.10	0.0	1.87	188.15	179.39	121.78	140.20	171.12	276.11	171.13	183.63
France (100)	178.15	0.9	170.21	116.38	133.31	137.64	0.5	3.19	177.72	169.45	115.03	132.43	136.95	191.17	157.79	165.01
Germany (59)	165.34	0.3	157.08	107.41	123.03	123.03	0.2	1.96	164.84	157.17	106.70	122.83	122.83	167.74	139.11	140.61
Hong Kong (55)	384.14	0.5	364.95	249.55	285.85	381.40	0.5	3.83	382.09	364.31	247.31	284.72	379.39	389.39	277.40	330.08
Ireland (16)	254.09	0.4	241.40	165.07	189.08	222.09	0.0	3.45	253.11	241.33	163.83	188.61	222.09	260.97	202.77	202.77
Italy (59)	73.44	1.4	69.78	47.71	54.65	85.77	1.3	1.68	72.42	69.05	46.88	53.97	85.67	82.71	65.45	75.01
Japan (483)	156.42	0.1	148.61	101.61	116.40	101.61	0.5	0.75	156.27	149.00	101.15	116.45	101.15	154.92	136.95	155.48
Malaysia (108)	477.96	-0.3	454.09	310.50	355.67	467.71	-0.3	1.76	479.47	457.16	310.34	357.29	468.95	561.99	398.18	484.32
Mexico (18)	1053.88	-1.4	1001.22	684.62	784.20	8797.45	-0.3	1.56	1068.82	1019.07	691.80	796.44	8822.90	1435.21	647.91	1199.49
Netherland (19)	272.74	0.9	259.12	177.15	202.96	199.54	0.8	3.27	270.40	257.81	175.02	201.49	198.04	272.74	214.00	214.81
New Zealand (14)	79.26	0.8	75.30	51.49	58.98	64.33	0.4	4.51	78.63	74.97	50.89	58.59	64.05	85.49	69.74	71.29
Norway (33)	229.12	1.1	217.67	148.84	170.49	196.44	0.9	2.13	226.70	216.15	146.73	168.93	194.63	243.79	202.78	207.97
Singapore (44)	405.86	-0.2	385.59	263.66	302.02	264.62	-0.1	1.52	406.50	387.58	263.11	302.91	364.97	414.25	313.94	374.89
South Africa (45)	387.91	0.0	368.53	251.99	288.65	309.57	-0.3	3.82	388.01	369.95	251.14	289.13	310.61	392.04	261.08	333.33
Spain (38)	161.05	-2.3	153.00	104.62	119.84	147.98	-2.5	4.05	164.81	157.13	106.67	122.81	151.82	164.81	124.10	130.14
Sweden (47)	311.34	1.1	295.79	202.26	231.68	306.33	1.3	1.96	307.93	293.60	199.31	229.46	302.35	321.99	228.09	230.42
Switzerland (40)	235.96	1.3	224.17	153.28	175.58	168.74	1.1	1.58	232.90	222.06	150.75	173.55	168.99	235.96	182.35	184.59
Thailand (46)	168.62	-0.2	160.20	109.54	125.48	164.88	-0.2	2.48	168.96	161.09	109.36	125.90	165.05	184.55	130.15	158.10
United Kingdom (206)	230.89	0.9	219.35	149.99	171.81	219.35	0.5	4.00	228.92	218.27	148.17	170.59	218.27	230.89	191.53	193.57
USA (640)	250.56	0.1	238.04	162.77	186.44	250.56	0.1	2.25	250.42	238.76	162.09	186.60	250.42	253.50	197.78	189.11
Americas (787)	228.41	0.0	217.00	148.38	169.96	191.95	0.0	2.25	228.37	217.74	147.81	170.17	191.91	230.76	173.81	174.83
Europe (735)	200.91	0.7	190.87	130.51	149.50	169.68	0.5	3.02	199.47	190.18	129.10	148.63	168.67	200.91	167.06	167.83
Nordic (138)	274.94	0.9	261.20	178.61	204.59	233.39	1.0	1.89	272.54	259.86	176.40	203.08	231.11	295.02	221.83	221.98
Pacific Basin (831)	166.42	0.1	158.11	108.11	123.84	111.79	0.4	1.18	166.19	158.44	107.58	123.83	111.35	171.87	145.93	163.21
Euro-Pacific (1566)	180.68	0.4	171.65	117.37	134.45	133.81	0.4	2.03	179.94	171.56	116.46	134.08	133.23	180.69	154.73	165.04
North America (741)	244.21	0.0	232.01	158.65	181.72	243.53	0.0	2.26	244.14	232.78	158.02	181.92	243.47	245.93	184.12	185.39
Europe Ex. UK (529)	180.34	0.7	171.33	117.15	134.19	142.54	0.5	2.46	179.19	170.84	115.97	133.52	141.88	180.34	149.53	150.32
Pacific Ex. Japan (348)	263.44	0.4	250.28	171.14	196.03	231.78	0.1	3.20	262.41	250.20	169.85	195.54	231.60	268.72	211.19	240.19
World Ex. US (1758)	181.59	0.4	172.52	117.97	135.13	137.55	0.4	2.06	180.94	172.52	117.11	134.83	137.02	181.59	155.42	165.93
World Ex. UK (2192)	199.78	0.2	189.80	129.78	148.66	165.24	0.2	1.95	199.44	190.16	129.09	148.61	164.88	199.78	163.46	170.54
World Ex. Japan (1915)	228.73	0.3	217.31	148.59	170.20	213.64	0.2	2.60	228.10	217.48	147.64	169.97	213.26	228.73	191.60	183.60
The World Index (2398)	202.52	0.2	192.40	131.56	150.69	170.06	0.2	2.15	202.04	192.64	130.77	150.55	169.65	202.52	165.92	172.58

CONSTITUENT CHANGES WITH EFFECT 29/12/95: Deletion: TSB ; Name change: Lloyds Bank now Lloyds TSB; Merger: Prov Life & Prov Acc now Prov Cos(USA). Latest prices were unavailable for this edition.

THE YEAR 1995

"Well, there were three of us in this marriage, so it was a bit crowded."
The Princess of Wales

"I do not like the crudity of the words rich and poor."
Lord Gowrie

"Money is neutral."
Sir Iain Vallance

"I'm only going because it's the nearest school to home."
James Palmer, 13, on Eton

"Europe will be born naturally, without forceps."
Jacques Chirac

"Does anyone who drinks champagne in shorts and vest deserve to be England rugby *captain?*"
Letter in Daily Telegraph

"In Derbyshire you can buy a desk, a diary, put a roof on a house, fill the rooms with furniture and put a Rover Sterling in the garage for £150,000."
Dennis Skinner MP on Michael Heseltine's £150,000 "desk diary"

"Honey, I ain't got no sideways."
Apochryphal statement falsely attributed to diva Jessye Norman

"Rubber group faces limbo with confidence."
Financial Times

"There will be big turmoil in Europe. We *want to be ready for the digit.*"
Michel Thoulouze of Canal Plus

"I had thought very carefully about committing *hara-kiri* over this, but I overslept this morning."
Former Japanese labour minister Toshio Yamaguchi after being charged with breach of trust

"It's an ancient country with an ancient *history and highly educated people but* it's enough to say 'you'll have a lot of vodka and a lot of sausage and we'll resettle the Chechens to somewhere in the Indian Ocean' to win votes."
Andrei Maliutin, deputy head of Vladivostok stock exchange, predicting communist-nationalist landslide

"When seagulls follow the trawler, it is because they think sardines will be thrown into the sea."
Eric Cantona

"*It is a source of great relief that the* United States has elected a vice president who uses the word 'Cartesian' at the expense of one who could not spell the word 'potato'."
London Review of Books

"Flogging criminals live on television before or after the National Lottery draw will create a great impact on other thugs who go out armed with guns or commit violent crimes all for the sake of a few pence."
Tory MP Elizabeth Peacock

"*I had given up smoking last year, but this* has been so traumatic I have started again."
Nick Leeson's father-in-law

"I'm a silly old fool and I don't deserve this attention."
Stephen Fry

"Too much 'Yo' and not enough 'Ho' is a common mistake."
Tom Valent, professional Santa Claus trainer

"We feel that we are essentially in a position of having a timescale due to the holiday season rather than the opportunity for an open-ended process."
The Maxwell jury

Deals done
Chase Manhattan – Chemical Bank
Glaxo – Wellcome
Westinghouse – CBS
Seagram – MCA
Swiss Bank Corporation – S.G.Warburg
Dresdner Bank – Kleinwort Benson
ING – Barings
Merrill Lynch – Smith New Court
Cadbury Schweppes – Dr Pepper/Seven Up
Rhone-Poulenc Rorer – Fisons
Sodexho – Gardner Merchant
Lloyds Bank – TSB Group
Grand Metropolitan – Pet Pillsbury – Dobson Park Industries
North West Water – Norweb
The Southern Company – Sweb
Scottish Power – Manweb
Hanson – Eastern Group
Welsh Water – Swalec
Lyonnaise des Eaux – Northumbrian Water
Central and South West – Seaboard
GEC – VSEL
Interbrew – Labatt
IBM – Lotus
Pharmacia – Upjohn
L'Oreal – Maybelline

Mickey Mouse Club
Capital Cities/ABC
Michael Ovitz
Pocahontas
The Scarlet Letter

Cleaning up
Ajax

Foot first
Eric Cantona

Babe
Shannon Faulkner

Late of the summer whine
Yorkshire Water
Unwashed
Trevor Newton
Washed up
Sir Gordon Jones

Edited by Clay Harris
Designed by
Andrew Chappin
Monthly review by
Simon Kuper
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JULY

John Major defeats John Redwood to remain Tory party leader. He gets 218 votes to Redwood's 89, while 20 MPs abstain or spoil their ballots. "Chickens hand it to Blair", says *the Sun. Major's pre-poll meeting with* Michael Heseltine is much noted. After the re-election comes the reshuffle. Virginia Bottomley loses health for national heritage – after which Tory embarrassments on health virtually cease – and Malcolm Rifkind becomes foreign secretary. Michael Portillo leaves employment for defence, and sees his old department merged with education. The biggest winner is Heseltine, who becomes deputy prime minister.

Srebrenica, one of six UN safe areas in Bosnia, falls to a Serb attack, and reports emerge of Bosnian Serb forces executing up to 8,000 Moslem men trying to flee to government-controlled territory.

Walt Disney pays $19.1bn for Capital *Cities/ABC, creating the world's* biggest entertainment company. National & Provincial building society recommends accepting a takeover by Abbey National, opening the way for N&P members to receive free Abbey shares. President Bill Clinton re-establishes diplomatic links *with Vietnam.* President Boris Yeltsin admits a week late he has had a heart attack, and Aun San Suu Kyi, Burmese opposition leader and Nobel Peace Prize winner, is freed from house arrest.

AUGUST

A hot month, and a month of mania about the information superhighway. Microsoft launches Windows 95, a programme which eases access to the Internet, to worldwide hype. Shares in Netscape, a company providing "browser" software for the Internet, – offered at $28 – close at $58¼ after one day. This values the company *at $2.1bn. It has never* made a profit. By December, Netscape shares are trading above $120, after hitting $171.

Madness on a smaller scale in the pop music charts as Blur beats Oasis in a battle for Britain's number one single.

Chase Manhattan and Chemical Banking merge to create America's biggest bank, with assets of about $300bn, topping the year's wave of US banking mergers. Chemical is in the driving seat but the new creation is *called Chase Manhattan.*

A wave of attacks on Tony Blair dies down when it emerges that one of them, published in London's Evening Standard, was written not by Bryan Gould, the former shadow cabinet member, but by Nick Howard, teenaged son of the home secretary. *The article began:* "I was three-and-a-half during the Winter of Discontent..." Rugby union declares itself professional. A Croat blitzkrieg expels Serbs from Croatia's *Krajina* region. A Serb mortar bomb kills 37 people in Sarajevo market place, triggering a Nato bombing campaign that lasts a fortnight.

SEPTEMBER

Another Nick Leeson emerges: Toshihide Iguchi, a bad-tempered 44-year-old former New York bond trader for Daiwa Bank, is alleged to have lost the bank about $1.1bn. He wrote to Daiwa managers in June admitting that he had concealed more than 30,000 unauthorised trades since 1984. In a secret *document,* the World Bank proposes creating an $11bn trust fund to help the world's 40 poorest countries pay off some of their $160bn foreign debt. Eurotunnel's 225 banks agree to restructure its debts.

France carries out the first in a series of nuclear tests in the South Pacific. Most nations protest. Jacques Chirac ignores them. The dollar rises again, breaking through the Y100 mark, and Kenneth Clarke scores a victory in the UK: Eddie *George, governor of the* Bank of England, publicly says he will stop advising him to raise interest rates.

The Net Book Agreement, one of the last lawful cartels in the UK, finally collapses when three large publishing groups pull out of it. European football's transfer system looks like collapsing too, as the European Court of Justice's advocate general – later confirmed by the court itself – calls it illegal. Israel's *Yitzhak Rabin* and the *PLO's* Yasser Arafat sign an accord establishing Palestinian self-rule in most of the West Bank.

OCTOBER

OJ Simpson is acquitted of murdering Nicole Simpson and Ronald Goldman. Most American whites say he did it, and most blacks say he didn't. The Million Man March draws several hundred thousand black men to Washington, where they are addressed by Louis Farrakhan, leader of the Nation of Islam. President Clinton says white Americans must "acknowledge the truth of black pain".

Quebeckers vote, by the tiniest of margins, to remain part of Canada. Before *they do, a Quebec disc jockey rings* Buckingham Palace, claiming to be the Canadian prime minister, and is put through to the Queen. He broadcasts part of their conversation.

Tory MP Alan Howarth defects to Labour just before his old party's conference. Michael Howard deals with a damning report into January escapes from Parkhurst by sacking Derek Lewis as head of the prison service. Extracts from Ritt Bjerregaard's Commissioner's Diary are published in a Danish newspaper. Nobel prizes: Robert Lucas wins (economics), Seamus Heaney (literature), Joseph Rotblat (peace). Boris Yeltsin suffers a second mild heart attack. Willy Claes resigns as Nato secretary-general. Former South *Korean president* Roh Tae-woo admits amassing $575m slush fund from secret donations. An underground railway fire in Baku kills more than 300 people.

NOVEMBER

Yitzhak Rabin is killed by Yigal Amir, a right-wing student, after a peace rally in Jerusalem. Shimon Peres becomes acting prime minister. Bosnia, Serbia and Croatia agree on borders of Bosnian state divided between a Serb zone and a Moslem-Croat federation. President Clinton turns to persuading Congress to let him send US soldiers to help keep the peace.

French public sector workers strike over prime minister Alain Juppé's attempt to reform the welfare state and to cut *deficits. Kenneth Clarke cuts the standard* income tax rate by 1p to 24p. The Dow closes above 5,000 for the first time.

Nigeria executes *the* Ogoniland activist Ken Saro-wiwa and eight others. Despite calls for boycotts, only minor sanctions are implemented. (If you are a Nigerian military officer, it is now slightly harder to travel abroad.) Shell comes under huge public pressure for the second time this year, now over links with Nigeria.

Granada launches £3.3bn hostile bid for Forte. Rosemary West is jailed for life after being convicted for ten murders in Gloucester. Nick Leeson returns to Singapore to face trial, Russia reschedules $32.5bn of Soviet debt, Today newspaper is closed. Pat Barker's The Ghost Road wins *Booker Prize. Diana says on television* that she too has committed adultery, Charles should not be king, and royal household was "the enemy".

DECEMBER

The Communist Party takes the largest share of the vote in Russia's parliamentary elections, and Vladimir Zhirinovsky's oxymoronic Liberal Democratic Party comes second. The European Union chooses "Euro" as the name for its single currency. UK interest rates cut by ¼ point to 6.5 per cent. The Bundesbank cuts short-term interest rates by ½ point, the Fed follows with ¼ point reduction. Nick Leeson gets 6½ years in prison. Duchess of York briefly loses £250,000 of royal jewels.

Gianni Agnelli, Fiat chairman, says he will step down in favour of Cesare Romiti, the group's 72-year-old chief executive officer. Brixton is hit by one night of rioting after a black man dies in police custody. China jails Wei Jingsheng, its most prominent dissident, for 14 years. National Westminster Bank sells its US retail banking subsidiary. Captain Mike Atherton saves England from defeat in a South African Test match by batting for 644 minutes. In November, the talk in Britain was of making divorce more difficult, now it's more likely to be mandatory – the Queen commands Charles and Diana to seek an early divorce. Tory defections and unintended *absences combine to defeat the* government on fisheries policy. John Major ends the year the way he began it – embattled.

MANAGEMENT

A question of trust

French companies are trying to build a rapport with individual investors, says **Andrew Jack**

Eurotunnel joint chairman Patrick Ponsolle turned to France for inspiration

When Eurotunnel, the Anglo-French operator of the cross-Channel rail link, announced the inaugural meeting of a committee of shareholders late last month, it was following a growing trend among French companies to explore new ways of communicating with its individual investors.

Patrick Ponsolle, joint chairman of the group, says he has tried to introduce the best elements of both business cultures into the management of the group. When it comes to relations with shareholders, it is to France that he has turned for inspiration.

While British companies have long faced the challenge of dealing with large numbers of shareholders, and have a history of close relations with institutions, French companies are beginning to develop a reputation for innovatioo in discussions with individual investors.

In October, for example, Union des Assurances de Paris (UAP), the insurance group, organised its first regional meeting. It attracted about 400 shareholders to a presentation and question sessioo bosted by Jacques Friedman, the chairman, in the oorthern city of Lille.

Air Liquide, the chemicals group, is generally seen as the pioneer in the field. "All the other companies have come to us for advice," says Jean-Claude Delvaux, head of the shareholder service.

It created its first shareholders' committee in 1986, and now offers other services including two information lines on Minitel, France's teletext service, and a free telepbone inquiry service currently receiving 300 calls a day.

At the last count, about a dozen large Freocb groups had followed tbe trend to launch shareholders' committees, including Société Générale, tbe bank, which has operated ooe since 1988, and then in the 1990s Total, Elf, Rhôoe Poulenc and Lafarge Coppée.

Businesses are pursuing other approaches to communication to try to build a rapport with investors. Jean-Pierre Ruault, geoeral secretary of UAP, says 7,000 people have now enlisted in the group's "shareholder circle". Every member receives a brocbure explaining financial terms, summary accounts and regular copies of the company's press releases.

"It is important to understand what shareholders want," be says. "It is our duty. They ask about our strategy and policies. It is not us who talk but them."

The drive towards greater emphasis on communication has been driven partly by necessity. As in the UK and other countries, privatisation programmes since the late 1980s in France have created a large change in share ownership figures. There are now some 10.5m shareholders in the country – up from 2.4m in 1978, but down from a peak of 14m in 1991.

Eqnally, it reflects a broader interest in a host of corporate governance measures being adopted in France, notably by more internationally-focused companies under pressure from foreign investors and customers. Shareholder communication is being introduced alongside andit and remuneration committees, and growing numbers of independent board directors.

But there are also some very practical reasons for the change in approach. Potentially, shareholders wield considerable power in France, a country without its own developed pension funds. They have begun to exercise it by requesting that magistrates start investigations against companies in which tbey believe tbere may be poor management.

The disappointing performance of many French companies' shares over the last few years has created a group of investors that needs to be placated – not only the many hundreds of thousands wbo bought into the privatisations of groups such as UAP and Suez, but also individual investors in Eurotunnel, which has more than 500,000 French shareholders.

More positively, some companies see communication as an important way of developing shareholder loyalty. "They tend to be more trusting and to hold for the long term," says Delvaux.

As a result, the company has placed great emphasis on making a break from France's predominantly "bearer" share system, in whicb shares are held by banks and other financial institutions on behalf of individuals, whose identities are unknown to the company.

In its place, it has tried to enlist shareholders directly as "nominative" investors, whose names and addresses it holds. That allows it to make dividend payments and other shareholder transactions directly with shareholders, side-stepping the commissions they must otherwise pay to the bearer banks. Nearly 130,000 of Air Liquide's 300,000 individual shareholders are now in the system, who in turn own 61 per cent of the total share capital.

The result is that the chairman was able to write to shareholders individually to reassure them of the company's positiou during difficult times for the stock market, sucb as during the 1987 crash and the 1990 Gulf war.

A few Frencb companies have gone further in cultivating smaller shareholders. Crédit Local de France, the banking group, and now Eurotunnel, have appointed private investors to their boards. Earlier this year, Paribas recruited Colette Neuville, a shareholder activist, on to its supervisory board.

But to whom are they accountable? The Viénot report on corporate governance in France this summer stressed that all directors of a company should represent its interests, not their own. It is a view shared by Maurice Le Maire, Eurotunnel's new appointee. "I am representative of the shareholders but I am not there to represent shareholders," he says.

Even the less ambitious aims of shareholders' committees have their limitations. Neuville argues instead for independent associations, launched by tbe investors, which would give them far greater freedom to sbow their strength by asking questions and bringing resolutions to annual general meetings.

Certainly, Ponsolle coocedes that shareholders' committees are "not a substitute for the board", and are largely about improving public relations rather than giving investors any wider-ranging participation in the management of their company.

On their own modest terms, shareholders' committees can prove effective. How mnch so depends oo corporate commitment. As Delvaux puts it: "You have to see what the spirit is of companies introducing committees. Some are using them as gadgets or an alibi. We are in it for the long term."

JOHN KAY

Father Christmas does not exist

Every year, millions of children believe that Father Christmas comes down the chimney to deliver presents, in return for nothing more than a glass of milk. Every year, some of these millions of children suffer a rude shock. They learn that Father Christmas does not exist, and that the men with red robes and white beards whom they see in the week before Christmas are all impostors.

Something similar is true in business. There is no Father Christmas there either, and those who wear his clothes are either deceivers or are themselves deceived. Yet there are many who believe otherwise, and each year some of them, ruefully, discover their mistake.

Christmas 1994 was the last of childhood illusion for Peter Baring and colleagues. It was remarkably easy, he had assured the Bank of England, to make profits by arcane arbitrage trades in derivatives in Far East markets.

He didn't know exactly how Father Christmas got down the chimney, but regular as clockwork the present arrived. Until Father Christmas took an aeroplane ticket to prison.

There is only one way in which companies make profits on a sustained and sustainable basis, whicb is to add valne for their customers and to do so in ways that other people can't.

That simple and obvious truth is easily forgotten by those who would like to believe that at least for them, Christmas has come round early.

Investors, who may know very little about the businesses to which they commit their funds, are the most readily taken in. They believed that Polly Peck could build a £2bn company out of putting North Cyprus fruit into cardboard boxes. They were also attracted to the excess of loss syndicates in Lloyd's of London, or to providing mortgage indemnity guarantees.

After all, what could be a better investment than an insurance business that took premiums but had never had to pay anything out? These examples seem easy enough to see through, although they were not easy enough to see through for those investors, by no means all of them unsophisticated, who lost money in the activities concerned.

However, they do illustrate the two fundamental questions that anyone in business should ask when they think they have met Father Christmas. Does this activity add value to customers that corresponds, at least roughly, to the profits which are earned from it?

And if this is such a rewarding business, is there a reason why the opportunity is specifically available to me? If you can't answer "yes" to both these questions, then the story you are being told either isn't true or won't last.

The fallacy is to think that by simply interposing yourself in a transaction you can collect a return – like those usherettes in French cinemas who must be tipped before they will get out of your way

You don't, for long, make more money than you add value. Take GPA, the aircraft leasing company which, from a small office in Shannon, borrowed money from the world's leading banks to lend to the world's leading airlines.

I don't know how you can add value of hundreds of millions of pounds a year doing that, and nor – when it came to the point – did the investors who were asked to take shares in the company's flotation.

Indeed, it is hard to see how you can ever add mnch value as financial intermediary between large companies or governments. With hundreds of banks trying to do just that, this may be the reason why it yields them prestige and expands their balance sheets while doing nothing for their profitability.

The fallacy is to think that by simply interposing yourself in a transaction you can collect a return, like those usherettes in French cinemas who must be tipped before they will get out of your way.

Yet people in business go on thinking that by vertical integration they can acquire the "manufacturer's profit" or the "retailer's turn", or that they will do better to "cut out the middle man". Or that they will make more money if they cross-sell, or offer a one-stop shop.

In a competitive market, what manufacturers, retailers and middle men earn is exactly equal to both the cost and the value of the services they provide.

It follows that restructuring the value chain will give you nothing unless you either enhance that value, or there is some specific and particular reason why you can provide these same services at lower cost. Or, of course, you may not be operating in a competitive market.

So, regional electricity companies still have their "supply business", and argue with their regulator about the return they should earn on it.

When you have a monopoly, you can charge for "supply", but once you are in a competitiva market – which they will face from 1998 – there is no margin for supply because there is no value-adding activity.

You can earn a return for generating electricity, or sending a bill; but there is no percentage margin for supply. And there is no longer 15 per cent for belping a householder to fill in an insurance proposal form. Direct writers have shown that traditional retail broking is as valuable as the French usherette.

So, when you tell your children that there is no Father Christmas in Lapland, tell them there is none in commerce either.

And when someone describes the projected returns from a business to you, measure it in close relation to the value that you yourself will add.

ARTS

Why Covent Garden was sent to the Tower

Lottery money – or the lack of it – has meant mixed fortunes for Britain's opera companies, writes Richard Fairman

So now we know who won the National Lottery stakes. First past the post, collecting a prize of £55m, was the Royal Opera House. In second place came Public Opinion, which caught up fast when it saw how much money was going to the arts palaces of the well-to-do, while the remaining opera-houses in the running look as if they will never reach the finishing-line.

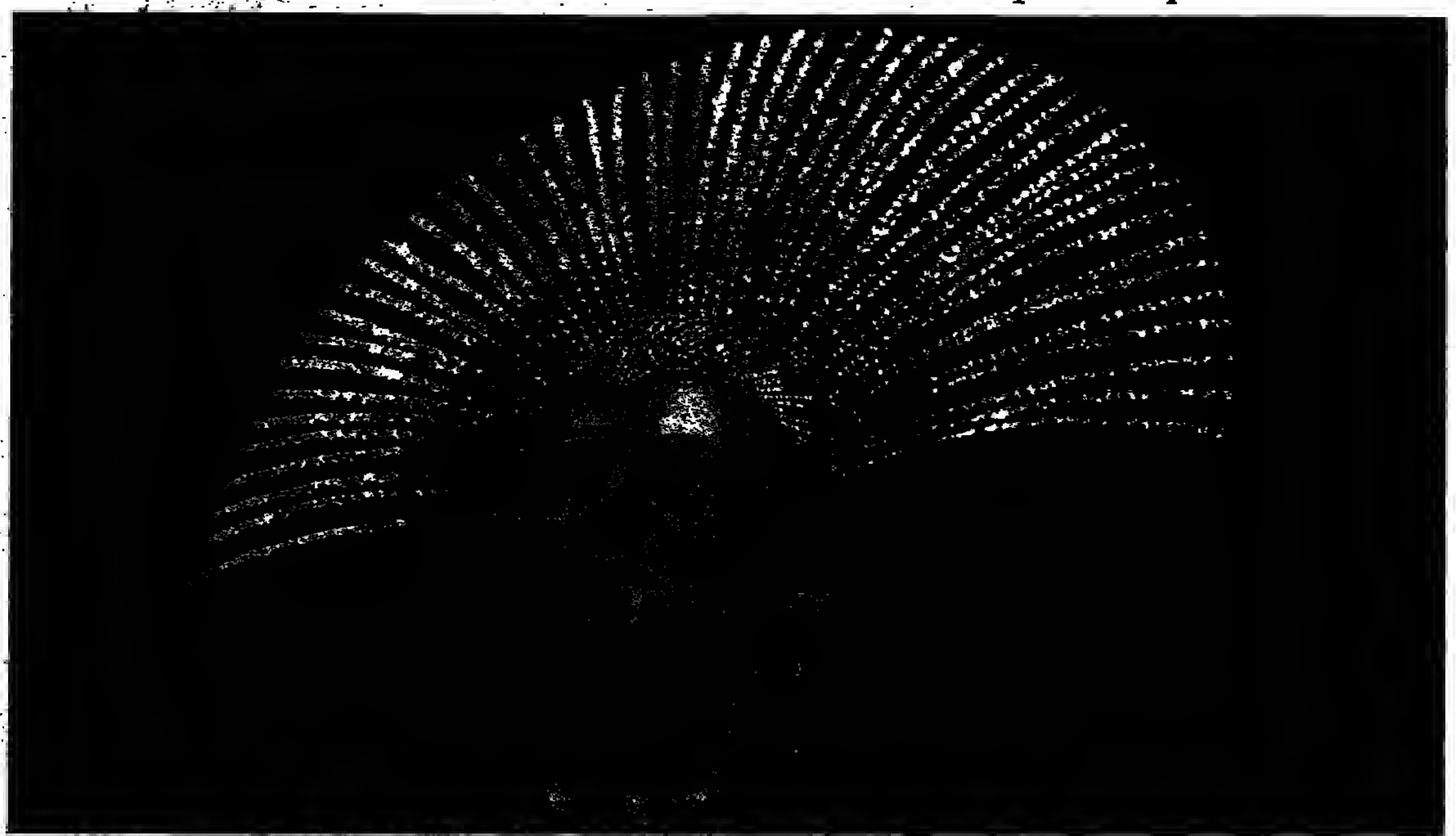
It has been a year of hugely differing fortunes for Britain's opera companies. Two have fairly confident expectations of success, one looks stable, two more have varying problems, and the last is in dire straits. During the past 12 months miles of column inches have been taken up in Arts Council reports and analyses in the press about the future of opera in the UK when the answer to the problem is a single word: money.

The Royal Opera now has its lottery cash, but must raise millions more if its funds for redevelopment are to reach the target total of £213m – not exactly an opera-house built for a song. At last we do know that for the duration of the building work the company has chosen to move to a new, purpose-built theatre on a vacant plot just south of Tower Bridge, but plenty of other imponderables remain. To name but one, will the music director, Bernard Haitink, be prepared to go to the Tower *along with everybody else?*

Among other facts and figures in 1995 was the rise in the top price of a ticket at Covent Garden to £267 – for Pavarotti, naturally. The Royal Opera simply operates in a different league from the rest of the UK's subsidised companies, as they struggle to keep their prices at a level the public is willing to pay. It really does not look good when an organisation in receipt of an Arts Council grant is seen to be charging the average man's weekly salary for a ticket. Perhaps lottery money might be allowed to go towards more radio and television broadcasts to improve access.

In the meantime, the company has endeavoured to assuage its critics by starting a series of 20th-century operas at reduced prices. The first two – the premiere of Alexander Goehr's new/old *Arianna* and a vacuous production of Hindemith's *Mathis der Maler* – left audiences mostly gloomy. The fire of controversy raged more fiercely over the completion of Wagner's *Ring* cycle, which ended not with a conflagration of the gods, but a pile of cardboard boxes falling over. That is the trouble with experiments in opera. They are always liable to fail.

What each of these events did achieve, however, was to keep the Royal Opera in the spotlight. Throughout 1995, whenever news was being made in the world of opera, it was more often than not at Bow Street, WC2. Armani dressed Mozart's *Così fan tutte* in designer-label chic. Purcell's *King Arthur* won an important battle with a complete staging in this anniversary year, even if he had to go to France for financial and artistic reinforcements. Above all, there was the first year of the ambitious annual Verdi festival: not just all the operas in performance leading up to the centenary of the composer's death, but extra concerts, talks and (this year) an international Verdi conference. For a few weeks Covent Garden was the centre of opera not just in Britain, but the world.



Starring performance: Anja Silja in 'The Makropoulos Case' at Glyndebourne, which had a vintage year — Alastair Muir

Only Glyndebourne can claim to have been more successful. In the opinion of many it was a vintage year. The sun shone, the champagne fizzed, and the company uncorked a season of operas in the finest tradition of the house. Having taken possession of a splendid new theatre last year, the management proved that they know how to make the most of it, raising attendance figures to near capacity.

A policy of investigating lesser-known operas has evidently not driven people away. The Glyndebourne team of Andrew Davis (music director) and Graham Vick (director of productions) breathed new life into Rossini's *Ermione*, an *opera seria* long thought beyond resuscitation. Then the ageless soprano Anja Silja gave a starring performance in *The Makropoulos Case*, Janáček's opera about a 337-year-old prima donna. With four splendid revivals, this was one Glyndebourne season when the operas upstaged the picnics.

For the other companies, fighting off wave after wave of financial problems must seem like trying to turn back the tide. At English National Opera managing director Dennis Marks is playing King Canute and, in one respect at least, is having rather more success. After reaching a low two years ago, audience figures at ENO are on an upward trend, running this season at a very healthy 83 per cent. Discounting the matinees, Jonathan Miller's safe but tepid production of *Carmen* even managed to score a figure over 100 per cent, a feat which could only happen in the illogical world of opera.

Unfortunately, box office receipts are no measure of artistic wealth. This year at ENO has been a season on the big-dipper with fewer "ups" than "downs" – up to a dynamic *King Priam* (Tippett) and down to a hellish *Don Giovanni*, up to a tolerable *Midsummer Night's Dream* and down to a risible *Life with an Idiot* (Schnittke). In the summer Weill's *The Rise and Fall of the City of Mahagonny* fell flat on its face. In the autumn Purcell's *Fairy Queen* was turned into a pantomime and Puccini's *Turandot* into a deafening Chinese torture. It is difficult to tell where the company is going next on this white-knuckle ride.

No wonder some people have been thrown overboard. David Mellor was the first to go, resigning from the board when the company announced that it was considering moving from the Coliseum (which it only acquired three years ago with his help as National Heritage Secretary) to a wholly new opera-house, to be built with lottery money – an extraordinary about-turn in policy. Then, more seriously, music director Sian Edwards, supposedly the artistic mainstay of the company, walked out after months of rumbling discontent. Who will the baton pass to now?

Evens favourite on the bookies chart is Paul Daniel, at present music director at Opera North in Leeds. He will have to decide if he wants to move from a company where he has real control and the opportunity to investigate operas off the beaten track. There was a handsome-looking production of Walton's *Troilus and Cressida*, which made its way on to a recording. Richard Jones surprised his detractors after the Covent Garden *Ring* by making a thoughtful job of Debussy's *Pelléas et Mélisande*; and the rarity quota was increased by provocative productions of Janáček's *Jenůfa* and Ambroise Thomas's quixotically French *Hamlet*. No need to ask "To be or not to be?" in Leeds. Survival looks fairly assured.

Most of the smaller companies had a quiet year. Glyndebourne Touring Opera, fortified by welcome sponsorship, took to the road with Britten's peace-loving opera, *Owen Wingrave*. English Touring Opera set out with *Il barbiere di Siviglia* and Massenet's lovable *Werther*, but received less notice than was their due. Garsington Opera overcame complaints about noise from the neighbours and mounted three productions of varied quality in the gardens. New operas at Aldeburgh (LeFanu's *The Wildman*), Cheltenham (Adès's *Powder her Face*) and Almeida Opera (McQueen's *East and West*) made less of a rumpus than they might.

At Welsh National Opera everything fell quiet, too. The suspense was breathtaking throughout the year, as we waited to find out for which of its national hobbies Wales might get lottery money, a new opera house or a new rugby stadium, both to be situated in Cardiff. In the period since his predecessor resigned over inadequate funding, WNO's managing director, Anthony Freud, has presided over a year of ominous calm: the only wholly new production was Tim Albery's desecration of Verdi's Old Testament opera *Nabucco*. Then, a few days before Christmas, the millennium commission made its decision that the opera house application did not represent "value for money". Whatever happens to the rugby bid, WNO has lost a Cardiff lottery scrum.

Among the general public there has long been a misconception that all operas are tragedies, but the pessimists point to Scottish Opera and say that now it may be coming true. The immediate problem does not lie with artistic standards. The company has had a good year, in which successes have outnumbered failures: Mozart fared well with *Le nozze di Figaro* and *Don Giovanni*, as did Offenbach with *La Belle Hélène*, and the only serious loser was Dvořák's *The Jacobin*, given as a remnant of the grim, old Eastern-bloc style of opera production, like a chip off the Berlin wall. What has really brought out the funeral dirges is the economic outlook. In the autumn crisis point was reached, as Scottish Opera fought to save its orchestra.

At year end it survives, but with dignity and performances reduced, in effect no longer a full-time company. Other UK companies look on, all too aware that the next time "it could be you!". Something is wrong when the first past the lottery post collects millions, but the rest of the field is carried from the track on a stretcher. It would seem that the rules of the race need to be changed.

Distinguished past but uncertain future

David Murray reports on a turbulent year in the orchestral world

This time last year, I was remarking that London's concertgoers were still richly spoiled for choice, despite the financial distress of our orchestras. That is true even now, but the orchestras' plights have become painfully visible.

The London Philharmonic has abruptly cancelled several concerts already advertised (playing a full-dress London concert costs every major orchestra a net loss). The budget of the Philharmonia, which for many years enjoyed the greatest international renown of any London band, is said to be dangerously over-stretched. The Royal Philharmonic has retreated to Kensington, where it is trying to establish a beachhead at the Royal Albert Hall (with an outpost in Nottingham) through – hopefully – massively popular programmes: nothing less will do.

It is too soon to judge the results of that brave but perhaps pyrrhic endeavour; meanwhile the RPO, which is a co-operative, has suddenly chosen to sack its public directors while still lacking any charismatic full-time conductor. The Philharmonia and the LPO, both "residing" more centrally at the Royal Festival Hall, find themselves in similarly awkward positions. Rising conductors are not tempted to join orchestras with distinguished pasts but uncertain futures; still less established international names; though they are happy to make lucrative guest appearances.

The BBC's "in-house" Symphony continues to give its public seasons in both our main halls (not to mention the Royal Albert for the Proms), more adventurous than other orchestras' schedules because better-cushioned. We cannot do without it. In some important respects, and for excellent reasons, the BBC Symphony continues to set a challenging standard for other bands.

With the BBC now finding itself pressed, however, into making more commercial recordings with *all* of its orchestras – the Scottish, Welsh and the northern Philharmonic, besides the London band – the independent London orchestras are crying foul. As they see it, the wholly subsidised BBC teams make "unfair" competition in the vital CD market (upon which other players depend for the extra fees that keep them going). To discuss that properly would mean opening a *deep* can of worms, deeper than I have room to delve in.

Though the London Symphony seems relatively secure, in residence at the Barbican and favoured by the Arts Council, it too is thought to have financial problems. Still, between its concerts, occasional appearances by other London orchestras and some distinguished guests from abroad, the Barbican keeps up a creditable monthly menu of concerts, with many full houses; whereas on the South Bank, somebody has evidently decided – well before the recent LPO cancellations – that straight classical concerts at full symphonic strength are a losing proposition, except with big-name draws.

For plain classical music-lovers, as distinct from fans of current trends in pop, rap, ethnic mantras, film music and aids-to-meditation, the Royal Festival Hall menu has become cruelly sparse. In January, for instance, after the English National Ballet decamps on the 14th it hosts just five big concerts: a "family" programme and a Classics for Pleasure one by the LPO at bargain prices, an RPO *Messiah*, and (luckily) two Philharmonia concerts with Christoph von Dohnányi.

The middle-sized South Bank hall, the Queen Elizabeth, offers richer fare from soloists, quartets and the London Sinfonietta, as does the little Purcell Room for a week or so, thanks to the Park Lane Group's annual "new artists, new music" series. Nevertheless, the message you might read from the South Bank brochure is that the classical repertoire has collapsed. Henceforth there will be only pop "classics" and high-powered, pricey concerts for specialised audiences, with precious little in between.

Those are apocalyptic guesses, perhaps inspired by the approach of the millennium. I think the reality is simpler. CDs are more ubiquitous (despite their scandalous cost in the UK) than LPs ever were, and on modern hi-fi equipment you hear the music better than from the cheaper seats in the Festival Hall. As a student I used to sit in the front of the balcony at seven shillings and sixpence, or at 10 shillings for grand performances, far less than LPs cost then; now it would be £15, for which you can buy a good, endlessly replayable CD of the main work or even the entire programme, and have change to spare.

The delights of live, breathing, unrepeatable performances have to be weighed against that. Are they unmarketable now? Evidently not, since sufficiently admired conductors and soloists can still fill the halls, along with foreign-national orchestras who can deliver their own music with native verve. But for standard readings, such as any budding music-lover still wants to get to know – of Haydn's quartets, Mozart's concerti, the symphonies of Beethoven, Brahms and Bruckner, for example – the CD player has certainly replaced the concert-hall.

Is there a message here for our concert halls? Not, at least, for the Wigmore Hall, whose dimensions are gloriously apt for the string quartets, pianists, violinists and singers whom William Lyne books with such prescience: there are more than enough chamber-music devotees to fill it night after night. In intimate repertoire, even a good CD is a pallid substitute for a good live performance. But for orchestral concerts, which ought to keep our broader western tradition continuously alive: are we in danger of losing them, and therewith a grasp of our musico-historical roots?

Not at the Barbican, which trades upon major conductors to rejuvenate the main repertoire, and to tempt fresh audiences. At the Festival Hall, however, there is a greater gap between well-rehearsed, expensive performances for aficionados (and the sponsors' seat-allotments), against supposedly crowd-pleasing stuff at much lower prices. But how many routine English performances of, say, the Tchaikovsky evergreens can pretend to a fraction of the natural fluency of Russian orchestras in that music? Budget CDs are often a better bet.

Even then, few of the old "evergreens" are either familiar or tempting to 30-somethings, still less their juniors. *Scheherazade*, *The Sorcerer's Apprentice* and Rakhmaninov's 2nd Concerto have long ceased to be automatic draws. The hopeful crowd-pleasing programmes commonly seem guided by memories of genteel music-appreciation classes in the 1950s and '60s.

That is not "creating" an audience, nor even reviving a live interest among the persisting audience. What *is* surprising is that so many classical concerts can still draw keen, knowledgeable audiences.

Orchestra-managers need to think harder about how live concerts may figure in the experience of people who otherwise listen mostly to loudspeakers or earphones. *Somebody* needs to think about it! If live concerts – with all the hard-won, competitive, sink-or-swim experience that goes into them – should dwindle into commercial insignificance, there will soon be hardly any performances worth recording.

■ BERLIN

CONCERT
Deutsche Oper Berlin
Tel: 49-30-3438401
● Carmina Burana: by Orff. Performed by the New London Consort, with conductor Philip Pickett, and the Chor und Orchester der Deutschen Oper Berlin, conducted by Rafael Frühbeck de Burgos. Soloists include Fionnuala McCarthy, George Fortune and Uwe Peper; 7.30pm; Dec 29
Konzerthaus
Tel: 49-30-203092100/01
● Rundfunk-Sinfonieorchester Berlin: with conductor Rafael Frühbeck de Burgos and the Rundfunkchor Berlin perform Beethoven's "Choral Fantasia" and "Symphony No.9". Soloists include pianist Annerose Schmidt, soprano Eva Johansson, alto Ute Walther, tenor Endrik Wottrich and bass Erich Knodt; 7.30pm; Dec 30, 31 (4pm)
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● Berliner Philharmonisches Orchester: with conductor Claudio Abbado, the female singers from the Ernst-Senff Chor and soloists Sylvia McNair, Angelika Kirchschlager and Barbara Sukowa perform Mendelssohn's music to "A Midsummer Night's Dream" and "Symphony No.4"; 7pm; Dec 30, 31 (5.15pm)

■ BIRMINGHAM

CONCERT
Symphony Hall
Tel: 44-121-2123333
● Hallé Orchestra: with conductor Martin Yates and the Pro Music Chorus of London perform Act II, New Year's Eve party scene from J. Strauss' "Die Fledermaus" and excerpts from Lehár's "Die Lustige Witwe". Soloists include Amanda Thane, Lilian Watson, Gloria Parker and Philip Salmon; 7.30pm; Dec 30
● Mozart in Costume: the Mozart Festival Orchestra with conductor Ian Watson and horn-player Jeffrey Bryant perform works by Mozart in authentic 18th-century costumes; 7.30pm; Dec 29

■ BONN

MUSICAL
Oper der Stadt Bonn
Tel: 49-228-7281
● Anatevka: by Bock. Conducted by Hansgeorg Koch and performed by the Oper Bonn. Soloists include Katja Bellinghausen, Jacqueline Kommüller, Bert Oberdorfer and Peter Beck; 8pm; Dec 29, 30

■ COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● The Triumph of Death: a choreography by Flindt after Ionesco's play "Jeux de Massacre", performed by the Royal Danish Ballet; 8pm; Dec 30

■ DRESDEN

OPERA & OPERETTA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Le Nozze di Figaro: by Mozart. Conducted by Wolfgang Rennert and performed by the Sächsische Staatsoper Dresden. Soloists include Andreas Scheibner, Claudia Kunz, Eva Kirchner and Jukka Rasilainen; 7pm; Dec 29

■ HAMBURG

EXHIBITION
Hamburger Kunsthalle
Tel: 49-40-24862612
● Jannis Kounellis: Kounellis created an installation for the museum at its special request. At the same time a retrospective of his work is on show; to Jan 7
OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721
● La Bohème: by Puccini. Conducted by Elio Boncompagni and performed by the Hamburg Oper. Soloists include Lucia Mazzaria, Franco Farina and Albert Schagidullin; 7.30pm; Dec 29; Jan 2

■ LAUSANNE

OPERA & OPERETTA
Théâtre de Beaulieu
Tel: 41-21-6432211
● Le Comte d'Ory: by Rossini. Conducted by Evelino Pidò and performed by the Orchestre de Chambre de Lausanne and the Choeurs de l'Opéra de Lausanne. Soloists include Alessandro Corbelli, Valérie Lecoq, Jeffrey Francis and Nadine Chéry; 8pm; Dec 31 (7pm); Jan 3, 5, 7 (5pm), 8, 11

■ LONDON

CONCERT
St. Martin-in-the-Fields
Tel: 44-171-8300089
● Annetta Servadei: the pianist performs works by Sibelius, Grieg, Mendelssohn, Rachmaninov, Brahms and Liszt; 1.05pm; Dec 29
Wigmore Hall Tel: 44-171-9352141
● Brindisi String Quartet: with pianist Barry Douglas perform works by Purcell, Bartók and Brahms; 7.30pm; Dec 30
JAZZ & BLUES
Royal Festival Hall
Tel: 44-171-9604242
● Robert Carter Quintet: piano-led contemporary jazz classics and originals, featuring Andy Panayi (saxophone), Martin Shaw (trumpet), Tim Wells (bass) and Mark Fletcher (drums); 5.15pm; Dec 29
OPERA & OPERETTA
Royal Opera House - Covent Garden Tel: 44-171-3044000
● Aida: by Verdi. Conducted by Daniele Gatti and performed by The Royal Opera. Soloists include Sharon Sweet, Nina Terentieva, Leah-Marian Jones, Dennis O'Neill and Simon Estes; 7.30pm; Dec 30

■ LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6522
● Georg Baselitz: this large-scale exhibition, which premiered at the Guggenheim Museum in New York, surveys Baselitz's works over the past 30 years, including 100 paintings and several sculptures; to Jan 7

■ MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098506
● Symphony No.9: by Beethoven. Performed by the Münchner Philharmoniker with conductor Dennis Russel Davies and the Philharmonischer Chor München. Soloists include Reinhild Runkel, Alexander Spemann and Hans Sotin; 8pm; Dec 30, 31 (5pm) ; Jan 2

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Leonard Slatkin and soprano Julia Migenes perform works by Gershwin, Rodgers, Anderson, J. Strauss, Lehár and others; 8pm; Dec 30
JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● Nancy Wilson & her Trio: featuring Llew Matthews, John B. Williams and Roy McCurdy; 9pm & 11.30pm; Jan 2, 3, 4, 5, 6, 7

■ PARIS

EXHIBITION
Galeries Nationales du Grand Palais Tel: 33-1 44 13 17 17
● Rétrospective Paul Cézanne: major retrospective exhibition of works by the French painter Paul Cézanne. The exhibition includes paintings and watercolours by Cézanne lent from private and public collections throughout the world. In 1996 the exhibition will also be on display in London and Philadelphia; to Jan 7
THEATRE
Comédie Française, Salle Richelieu Tel: 33-1 40 15 00 15
● Le Misanthrope: by Molière. Directed by Simon Eine. The cast includes Alain Pralon, François Beaulieu, Dominque Constanza and Yves Gase; 8.30pm; Dec 31

■ STUTTGART

OPERA & OPERETTA
Staatstheater Stuttgart
Tel: 49-711-221795
● Fidelio: by Beethoven. Conducted by Robert Spano and performed by the Oper Stuttgart. Soloists include Anne Evans, Louise Walsh, Michael Ebbecke and Wolfgang Probst; 7.30pm; Dec 30; Jan 4
● La Traviata: by Verdi. Conducted by Francesco Corti and performed by the Oper Stuttgart. Soloists include Carla Basto, Annette Kuhn, Alexander Fedin and Jörn Wilsing; 7.30pm; Dec 29

■ ZURICH

OPERA & OPERETTA
Opernhaus Zürich
Tel: 41-1-268 6666
● Die Frau Ohne Schatten: by R. Strauss. Conducted by Christoph von Dohnányi and performed by the Oper Zürich. Soloists include Gabriele Lechner, Anja Silja and Gwyneth Jones; 6pm; Dec 30

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LEADERS FOR A NEW MILLENNIUM

David Willetts and Peter Mandelson · By Philip Stephens

The boys from the backrooms

Politics in Britain runs in search of an idea. Exhausted in office and divided over Europe, Mr John Major's Conservatives are searching for the certainties of 1980s Thatcherism. Mr Tony Blair's Labour party has jettisoned the socialist icons which kept it out of office for a generation. Mr Blair hopes to re-invent Labour in government. Win or lose, the Conservatives likewise will be obliged to recalibrate their ideological compass.

Neither party suffers an embarrassment of political thinkers. The cabinet looks jaded. Many in the shadow cabinet are struggling to come to terms with the speed with which Mr Blair is sweeping away the old ideology. Look five or 10 years on, however, and two young men stake a claim to the politics of the new millennium.

Mr David Willetts and Mr Peter Mandelson have hitherto played mainly backroom roles, although in Mr Mandelson's case not without some notoriety. Both still hold relatively modest positions in their respective party hierarchies. Mr Willetts is the minister for public services, Mr Mandelson his Labour shadow. But the formal titles belie their influence.

There are other parallels in their careers. As head of Mrs Margaret Thatcher's Downing Street policy unit in the mid-1980s, Mr Willetts was influential in shaping many of the policies, such as privatisation, which defined her premiership. For his part, Mr Mandelson was in at the start of Labour's long retreat from state socialism. As Mr Neil Kinnock's campaign director, he remade the party's public image and oversaw the first stage of the policy changes designed to restore its electability. Both men first entered parliament in 1992 and have recently served apprenticeships as junior whips, or party managers, at Westminster.

Mr Willetts, the 39-year-old MP for Havant, is aware that the free-market philosophy of the 1980s has been losing its resonance with the electorate. Old enemies – the trade unions, big state-owned corporations, the Soviet empire – have long been vanquished. The new insecurities created by rapid technological change and global competition have sapped the enthusiasm of middle class Tory voters for free-market solutions.

While some of his colleagues on the right want to embrace the radical anti-governmentalism of Mr Newt Gingrich's Republicans, Mr Willetts knows that elections in Britain are not won from the extreme right or left. Mrs Thatcher moved the centre ground of politics, but she never deserted it.

Peter Mandelson: 'There is nothing wrong with capitalism with a social conscience or a human face'

So in place of a bold new prospectus, Mr Willetts offers an agenda of right-ish reassurance in which gradualism and radicalism are not mutually exclusive. "Firstly," he remarks, "we have to clear away misconceptions about the free market... the belief that it is somehow unBritish, that it erodes local communities, or is a threat to the ways of life we value." The reality is, he says, that the free market has been deeply embedded in the British way of life since the Middle Ages and the industrial revolution.

Alongside this essentially defensive operation, Mr Willetts says Conservatives must persuade the electorate that their central principles of "choice, opportunity and enterprise are as relevant now as they ever were". The competitive challenges from Asia and other fast-developing regions demand deregulation and flexible employment markets. They will not be met by the "soggy, continental social democracy, circa 1980" on offer from Mr Blair.

In Mr Willetts' mind the real threat to social cohesion comes not from small government or liberal economics but from powerful interest groups engaged in a "Hobbesian battle" for spending, tax and regulatory favours. Sanely sceptical towards Europe, he speaks also of sustaining the nation's Britishness: "I am a great admirer of modern Germany but we have our own distinctive set of national institutions".

His soft-spoken concern for national and social institutions – the family is the bedrock of stability – does not presume an end to market-driven change. Often the reverse. Take one example: "Technological advance makes free-market solutions possible in a way that they were not before... road pricing was always an interesting academic theory, but we are just beginning to reach the point where you can price the time people spend in their cars."

Mr Willetts sees the state shrinking further: "One of the great advantages of rising prosperity is that it is possible for people to save more for themselves... There is scope for shifting further from public provision to private provision across the welfare state. That is the direction in which things are going and we can still go a lot further."

Across the divide, Mr Mandelson offers a different perspective. Alternately respected and loathed in his own party for his successes as media manipulator and agent of a modernising leadership, Mr Mandelson has moved on from "spin-doctoring" to the task of adding substance to the ontlines of Blairite social democracy.

Although he is the grandson of Herbert Morrison, one of the most powerful figures in the reforming Labour government of 1945, Mr Mandelson is scornful of "big ideas". "You don't have grand ideologies of either of the left or right in politics any longer. What you have is different approaches to managing issues, responding to challenges, devising public policies which are based on different sets of values."

He makes no apology to Labour traditionalists for the upheavals of the past few years. "The party allowed its thinking to atrophy and its structures to ossify." Nor is he afraid to jettison the old rhetoric. "Let me make the point on the record. There is nothing wrong with capitalism with a social conscience or a human face. The idea that you must choose between efficient capitalism or social justice is one we reject."

But, rehearsing a forthcoming book which will set out his ideas at some

David Willetts: 'I am a great admirer of modern Germany but we have our own set of national institutions'

length, he is adamant that Labour, or New Labour as the party now calls itself, has not simply bought a Tory prescription. Mr Blair's social democracy would mark a clear break with Conservative rule by "reconciling the necessary freedoms of the market with the wider responsibility which markets owe to the community".

The 42-year-old MP for Hartlepool warms to the theme: "We are trying to marry the disciplines of the market and the rigours of competition with a social cohesion which was shunned in the 1980s but which is not only necessary to enable people to live better lives but is also a vital foundation for prosperity." The answer lies in public/private-sector partnerships, in a radical upgrading and extension of educational opportunities, and in a welfare system which is universal in reach but based on private as well as public insurance.

Neither man, you might conclude, offers an agenda to set the pulse racing. But perhaps they are wise in judging that the irresistible economic and technological forces which will shape the new millennium promise upheaval enough for a worried electorate.

Office workers tangled in the sheets

Businesses are swamped by paper despite the growth of electronic communications, says Gillian Tett

When some 200,000 people return to their offices in January, they will have one less Christmas card to remove from their desks. For in a spirit of waste reduction, Midland Bank has donated £75,000 to charity this Christmas instead of the £90,000 it usually spends on around 215,000 corporate cards.

Yet the depressing reality is that the volume of paper circulating around offices is growing, not falling. Indeed, although new electronic technology was once supposed to reduce paper use, it may even be adding to the pile.

The anecdotal tales of this paper tide are legion. A survey by management consultants Touche Ross found that 90 per cent of companies and 75 per cent of people reported problems with paperwork – a higher proportion than two years before.

Meanwhile, Ms Irene Dorner, chief operating officer at Midland Bank's foreign exchange trading floor, is typical of many managers in saying she is "groaning under the weight" of an expanding in-tray.

She says: "The amount of internally generated paper is growing, while junk mail is rising too. On Monday morning most of my mail goes straight in the bin. And the danger of this is that it is becoming harder to sort important papers from unimportant."

These complaints are also reflected in the statistics. Department of Environment figures suggest that between 1984 and 1993 UK paper consumption grew by 40 per cent, to reach almost 11m tonnes. The Pulp and Paper Information Centre believes that aboot a third of this is office-based. Some industry analysts estimate that the use of office paper is growing about 20 per cent a year – after soaring 600 per cent in the past 25 years.

Quite why paper should be growing so fast, in spite of the surge of electronic communication systems snch as e-mail, is a matter of dispute.

Some observers like Mr David Best of Touche Ross think the real problem is insufficient technology. "E-mail is having a major impact in reducing paper in pharmaceuticals and financial services and the pnblic sector; It is medium-sized companies who have not cut down at all. Only 9 per cent of workers are regular users of computers," he says.

But technology itself may also be to blame. The spread of the fax machine and photocopier makes it easy to spew out more documents.

Another factor is growing pressure for inter-organisation communication. The Bank of England, for example, believes it has reduced the level of paper used internally by introducing an electronic message system, but it is now publishing more documents than ever before – and receiving more papers from outside, particularly stemming from work on the single currency.

Many professions blame the growing complexity of work. As a partner in one leading City law firm says: "As transactions get more complicated that means more words which means more paper. Lawyers are animals who like things on paper rather than on screen. They need a paper trail."

Whatever the reason for this growing mountain, the most striking feature is just how few companies are actually monitoring it.

Some groups are pressing ahead with recycling schemes. Companies ranging from UBS, tha investment bank, to Imperial Chemical Industries have recently installed recycling bins in their offices. The Department of the Environment is also practising what it preaches by recycling a growing proportion of the 197.5 tonnes of paper it used last year.

However, the waste industry business insists this is still a tiny amount of the total – even thongh waste paper prices have risen sharply this year. Mr Ted Jeffery, commercial director of Severnside, the recycling group, says: "A lot of companies just can't be bothered with recycling. We have all the mechanisms in place to harvest the paper but we can't always get the message across."

And irrespective of recycling, many companies admit that they have no central statistics on the amount of paper their employees are coping with. This is partly because paper purchasing is split between different departmants – and partly because there is little monitoring of incoming mail.

Boots, the chemists chain, and retailer Marks and Spencer, for example, both have policies to reduce the amount of internal paper and boost recycling. Indeed, M&S is now selling its waste paper for £100 a tonne. But although it has conducted regular internal paper reviews, they find it easier to produce recycling figures than data on overall paper consumption.

Some environmental enthusiasts hope that the recent debate about Christmas card policy might serve as a small spur to a change in attitude.

Few companies have followed Midland Bank's lead by banning cards altogether. But a growing number are now trying to put a green gloss on their binge by using cards made from "renewable" forests. The Post Office and Boots have also set up projects to encourage the public and companies to recycle their cards.

Meanwhile, some Treasury officials have gone a step further, and are considering sending greetings by e-mail instead of paper.

Despite the good intentions, the paper tide will not be beaten back without some radical corporate action and a sea change in employee behaviour. Until then, the prospect of a paperless office is as much of a fantasy as the Santa Clauses on Christmas cards now heading for the bin.

LETTERS TO THE EDITOR

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Regulated water subsidiaries should be separately listed

From Mr Ian Byatt.

Sir, Lex (December 28) looks at only one aspect of a complex regulatory issue.

The most important argument for a separate stock exchange listing for a regulated water company, when part of a larger group, is to strengthen its ring-fencing. One existing requirement is that a majority of the directors of a listed subsidiary are independent of the parent. This ensures that any decisions taken by the board of the subsidiary are truly in its interests and do not take account of any conflicting interests of the group.

This would protect the customers of the utility, reinforcing the legislative requirements for dealing at arm's length between the regulated water company and other companies in the group, and for separate accounting of the regulated business.

The threat of takeover is an important spur to management. But separate listing can increase exposure, compared with a situation where the snbsidiary utility is hidden within the larger group. If the utility is seen to be underperforming, there is a greater incentive to bid for the group either to change the management of the utility, or to unbundle it further. The benefit should outweigh any inhibition of a requirement for separate listing.

Lex plays down the importance of stock market information in regulation. Of course such information requires some interpretation, but the market valuation of a subsidiary would provide an independent assessment which can be compared with the regulatory capital value used in setting price limits which provide a reasonable return on capital, to enable the utility to finance its investment, without making monopolistic returns. It also provides readings for dividend and earnings yields and a yardstick for assessing interest and dividend covers. Dividends paid by a separately listed subsidiary would reflect the views of the subsidiary board on what was appropriate for the subsidiary, rather than the group.

I agree with Lex that the regulator should welcome takeovers which will force water companies to make their assets sweat – but not to strip them, or milk them to cover up deficiencies in management elsewhere. Where non-water business is significant, regulated water utility subsidiaries should, perhaps, generally be separately listed. This would be consistent with their licences.

Let us start where existing information is about to disappear.

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Why owners prefer not to speak

From Mr Robert A.G. Monks.

Sir, Alan Clements's "Cadbury: owners must speak" (December 18) is right on the mark. It must be recognised that owners don't speak, because owners do not want to.

First, it involves change; second, the trouble and expense in being informed; and, most ominously, it involves commercial risk. This would be immaterial if the courts required the trustee/institutional investors to resolve "conflicting interests" in favour of their beneficiaries. Such has not yet occurred. Management has in its gift the bestowal of very profitable relationships. Fiduciary owners will speak only if and to the extent that corporate management determines such to be in their own interest.

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Nominal behaviour

From Mr Simon Briscoe.

Sir, Samuel Brittan's excellent exposition of the state of consumer confidence in the UK, "Economic viewpoint" (December 21), misses a 'Brittanesque' punch line.

The article says national authorities "have moved some way towards behaving as if they were operating on nominal demand". I believe the crisis of confidence reflects the consumers' move to nominal terms behaviour.

Incomes hovered around double-digit growth for two decades, so the 3 per cent growth of the 1990s comes as something of a shock. Add job insecurity and the lack of "jobs for life" and it will take more than a couple of tax-cutting budgets to improve sentiment.

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Lukoil management was not involved in transaction

From Mr Peter Neyev.

Sir, We would like to comment on your December 8 article "Russian consortium buys 5 per cent of Lukoil" and Lex item "Crude tactics".

While we are not a proponent of the loans-for-shares programme, we do understand the Russian government's immediate cash needs and strongly support its overall efforts and its economic progress to date. Given our previous efforts, primarily through our convertible bond offer, in selling the government's shares in Lukoil and repatriating funds, we were able to keep the Lukoil shares subject to the programme at 5 per cent.

The programme stipulates that a competitive tender is held and that the institution which bids the highest loan amount to the government receives a degree of control over the pledged shares. Within approximately three years of the auction date, but no earlier than September 1 1996, the lending institution must organise, with the Russian Federal Property Fund, a competitive tender to purchase the pledged shares.

The lending institution is entitled to a commission equal to 30 per cent of the appreciation of the shares while the government receives the 70 per cent balance. The government fully expects to realise a price that reflects the market price at the time of sale.

In the case of Lukoil, the minimum bid price was \$35m plus the obligation to pay a tax liability to the government of \$110m within 10 days of the winning loan. The tax liability plus the \$35m is about \$4.06 per share, about equal to the market price of Lukoil shares at the time of calling the tender and on the date of the tender.

There are several statements in your articles which are totally incorrect. None of Lukoil's management was involved in this transaction. As mentioned above, Imperial Bank, or "Consortium" as you refer to it, does not at present own the shares.

The statement which has caused us the most immediate concern is that "Imperial and Lukoil themselves announced a 5 per cent convertible bond offering" to international investors.

In actual fact, Lukoil proposed to the GKI an issue of bearer bonds convertible into 5 per cent of Lukoil shares pledged in the loan-for-shares programme, for sale to retail investors in Russia only. The bonds will be converted into common shares in 1998.

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FINANCIAL TIMES

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Germany on the line

The tentative agreement reached this week between Germany's governing and opposition parties to liberalise the country's telecommunications market is a critical step towards improving the EU's competitiveness. No industry is more important to ensuring a modern trading edge than telecoms; Germany is the EU's largest single telecoms market; and the available evidence points unambiguously to the role of competition as a spur to improving telecoms services while reducing costs and prices.

A bill to open Germany's core telephony market to competition is set to be tabled within the next few weeks. It follows the enactment of equally fraught legislation to privatise Deutsche Telekom, the state-owned post and telecommunications operator. A first tranche of shares in the company is likely to be sold by the end of next year.

So far, so good. If this week's agreement sticks, Germany will not only formally meet the EU's January 1998 deadline for opening the union's telephony markets to full competition. It will have a legal and industrial structure in place to make this competition a reality. At least four big competitors are already shaping up, including such names as Veba, Mannesmann and Deutsche Bank.

However, steps taken in the coming months will have a vital bearing on the strength of that competition, particularly in its early years. Potential competitors to the Deutsche Telekom giant are looking with particular anxiety to three issues: regulation; the terms for making use of Deutsche Telekom's existing infrastructure; and arrangements for ensuring "universal service" once Telekom's monopoly has been abolished.

Cardinal error

Germany is not short of overseas experience to help resolve these issues. The UK's is perhaps the most relevant given the size and nature of the emerging national market, especially the dominance of Deutsche Telekom within it. Repeating what many believe to have been the UK's cardinal error, the German government has already decided against splitting up its near-monopoly supplier, either regionally or by function. It is all the more important, therefore, that it now follows the UK in establishing a regulatory regime which is credibly independent both of the politicians and of Deutsche Telekom.

Above all, that means appointing a regulator held by all to be above the fray and divorcing that person, and his/her staff, as far as possible from any existing government department, on the model of the UK's Oftel. Germany has a strong competition authority, but a dedicated telecoms regulator is essential to deal with complex issues of inter-connection and pricing. The ministry retaining formal responsibility for the telecoms market – an issue still dividing German ministers – is of secondary importance.

Reasonable return

A decade after liberalisation, British Telecommunications still controls some four-fifths of the UK's telecoms market. If the German market is to open up more rapidly – as it must – then Germany must resolve the terms for licensing, inter-connection and universal service well before January 1998.

In particular, the new regulator should be highly sceptical of claims by Deutsche Telekom for special treatment on grounds of providing a "universal service" throughout the reunited Germany. Telekom has invested hugely in upgrading infrastructure in the eastern states, and it must be allowed to make a reasonable return on this and future outlays. But cross-subsidies should be transparent, preferably by means of payments to a special fund dedicated to providing telecoms services in "uneconomic" areas.

Competition in infrastructure is also important. Concessions made by the company on allowing rival networks as part of the deal for gaining preliminary approval for its Atlas alliance with Sprint of the US and France Télécom are a welcome step.

The Atlas alliance brings into sharp focus the progress which still needs to be made elsewhere in Europe. With Germany advancing down the path to effective competition, France would do well to emulate its neighbour.

Building on Asian values

The sight of a former South Korean president appearing in court in a prison smock on charges of accepting bribes from business will have surprised many in Asia. This is not so much because of the nature of the allegations but because, for once, they are being taken so seriously.

Though most of the time there is nothing illegal or improper about it, there is a tradition throughout Asia for business and government to be closely intertwined. Korea's scandal may be an extreme consequence of this, but it is a reflection of that broader Asian culture. It raises the question for other countries too of how long such cosiness can continue.

There are plenty of places where the dividing line between business and government is blurred. Taiwan's ruling Kuomintang party controls a vast financial and commercial empire; Dr Mahathir Mohamad's United Malays National Organisation has close links with a large network of businesses; President Suharto's children sit on the boards of leading Indonesian companies; China's People's Liberation Army runs several industrial enterprises.

Arguably this tradition of closeness has served Asia well in terms of economic growth. Its governments may often stifle political debate, but they are generally business-friendly, impose little red tape and take a small proportion of national income in tax.

This, some Asians argue, is part of what makes their region so different and so successful. It is certainly why China is worried about the increase in Hong Kong's welfare spending ahead of the 1997 handover. Asian governments may be authoritarian but their identification with business means they tend to stay small where economic policy is concerned.

Public opinion

But this may not be so easy in future. As Asia's middle class becomes larger and more affluent, it will increasingly demand respect from its masters, more say in policy and more transparency in government's relations with business. Korea was one of the earliest "tigers" to develop multi-party democracy. It is probably no coincidence that public opinion has been one of the driving forces behind the scandal.

Another snag is that, while small governments like those of Asia spend grudgingly on welfare and take little in tax, they shy away from spending on infrastructure and from enforcing desirable regulations in areas like pollution control. Asia's streets are clogged, power supplies are inadequate, water shortages loom in many big cities, and pollution is endemic.

Voter approval

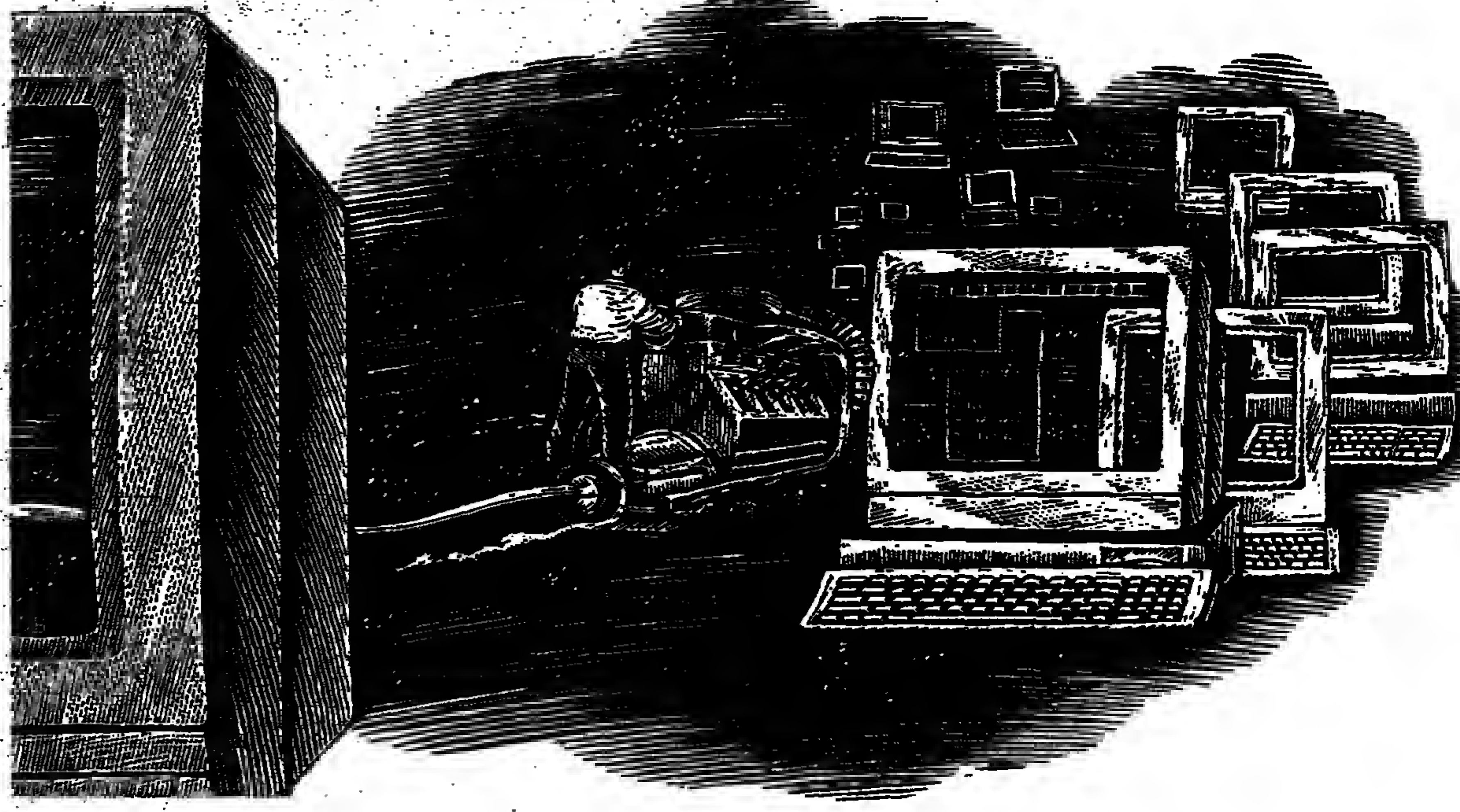
Unless these problems are corrected, the present high growth rates may not be sustainable. The World Bank has calculated that east Asia may need to spend up to \$1,500bn on improving its infrastructure over the next decade. That is far more than the governments can afford on their own. Inevitably a large amount of private capital will be required.

A rigorous separation of government and business is urgent if monopoly abuse is to be avoided. Governments cannot afford the unpopularity which follows from privatisations if they simply enrich their friends in business.

There are signs in some countries of a hesitant recognition of the need for greater distance. Mr Thaksin Shinawatra, the telecommunications magnate, was forced to resign as Thailand's foreign minister earlier this year because the position was incompatible with his business interests. But he is now back in government. Real change clearly remains slow.

What Asia needs is not the big-spending approach of the established western democracies. Its governments must resist the temptation to buy voter approval in this way. Instead they must remain small, while becoming more adept at impartial and honest regulation. That does not only apply to privatised utilities. The interest of business generally must be advanced by the application of rigorous competition policy, not special favours from friendly officials.

Asia has barely begun to move down this road. It is a stony one as Japan's experience shows, but the pace must pick up if future prosperity is to be secured.



Engine of the superhighway

The World Wide Web is defined as much by how users search for information as by what they find, argues Peter Martin

Every medium invents its own distinctive format, the one which best takes advantage of its unique characteristics. For moving pictures, it was the big screen action drama. For radio, the quiz show. For television, the situation comedy and – more recently – the confessional chat show.

Usually these happen soon after the medium has come into existence, often while it is still technically primitive. The initial version may require a great deal of indulgence on the part of its consumers, just as silent pictures did before the first world war, or radio did in the 1920s. But it stamps itself – and the medium in which it appears – indelibly on the public mind.

The innovative new format may not be the only one each medium employs; it may not even be the most important, commercially speaking. But these new formats are important because they reflect the most significant aspects of the medium, capturing its appeal. Most important, they provide a sign that it is coming of age in its own right.

The World Wide Web, the fastest-growing part of the Internet, has been widely accessible for two years. But it has already evolved its own distinct format, in which we can discern how the Web will evolve.

The format in question goes by the unglamorous name of the "search engine". Individual examples are even more bafflingly named: Yahoo!, Lycos, Inktomi, Webcrawler, and a score of others.

Before examining how the search engine fits its new medium, let us spend a moment on the Web itself. It was devised by Tim Berners-Lee, a scientist at CERN, the European centre for research in nuclear physics, to allow researchers to navigate quickly and easily around widely scattered databases of academic papers and experimental studies.

In its initial form it consisted of plain type on screen, but allowed the creation of "hypertext links", so a user in Asia using a computer to read a paper held on a US computer could look up a passing reference to another study held on a computer in Europe, and immediately switch to its full text. From there, the user could switch to other references.

The process of switching from subject to subject was like channel-surfing on television, hence the phrase "surfing the Net". The comparison became even more apt when Marc Andreessen, a computer scientist, invented Mosaic, a graphical front end to the Web.

Mosaic and its successors are "browser" programs, which run on a user's computer to simplify surfing. They also make the presentation of the results more visually appealing: full-colour diagrams, pictures, drawings and photographs can be integrated into the text. Users can click on highlighted words or pictures to switch from computer to computer and subject to subject around the world. As competing browsers have appeared – the best-known is Andreessen's new Netscape Navigator – they have become ever more powerful, adding the capacity to download animation, sound and even video, though most websites restrict themselves to words and still pictures.

Websites have proliferated at amazing speed, since the language in which they must be written is well within the grasp of the average hobbyist. Some are extremely professional, while others reflect the idiosyncracies of their authors, such as All Men Must DIE, a website constructed by a young woman in London who is on the rebound from an unhappy relationship.

The sites themselves are not inherently original: they have borrowed heavily from magazines and television. Even a very elaborate site like HotWired, the electronic offshoot of San Francisco's Wired magazine, relies on formats derived from avant-garde graphic design and music television.

This is where the search engines come in. They are sites you dial up with your browser that help you search through the other offerings on the Web. Each engine contains an index of documents, built up through continuous electronic patrolling of the Net. Such tools provide a powerful way of navigating the Web. Without these tools, the Web would lose much of its usefulness, since it is too large and complex for browsing or surfing.

One way of using a search engine is to work through increasingly specific tiers of menus to reach the subject category in which you are interested. But there is a more powerful way of searching. To use this, you type in the subject or name about which you are interested, and you get back a list of relevant locations, either websites or documents held in other parts of the Net.

Most search engines offer variants on this simple recipe. Some have more complex search routines, ranking sites by the probability that they will meet your needs – for example, a document in which your sought-for phrase appears in a headline will score more highly than one in which it is buried in body text.

Others have hand-selected indexes, winnowing out the irrelevant. Still others offer independent comment on the contents of a site or document. Typically, search engines try to cover their costs by selling advertising space.

The search engines may seem, on the face of it, to be no more than a convenience, but they illustrate the Web's greatest strength and provide a solution to its greatest drawback.

The strength is the access, on an equal footing and with equal convenience, to contents provided by people around the world. The drawback is the lack of editing that this egalitarian structure involves: no quality control, no coherence, no selection.

One solution to this lack of coherence is the creation of self-contained but tightly edited "branded communities". Publishers aim to suck Web users into a community, and to offer them almost all they need without going outside. Typically, these communities offer a range of channels or themes, ranging from sport to personal relationships and (inevitably) computers and the Web itself. Each channel offers original journalism, background material, contributions and comments from users, and sometimes downloadable software.

Such communities offer the possibility of subscription revenue, and of better opportunities to generate advertising revenue, since more is known about their members. Both Microsoft Network and Europe Online, which once saw themselves as proprietary networks competing with the Web, now see their future as branded communities within it.

In the long run, however, this approach is self-defeating. Because it uses the Web principally as a way to lure users into the cul-de-sac of the branded community, it surrenders the most attractive aspect of the medium, its breadth and heterogeneity of access.

Search engines provide a genuinely new publishing vehicle: a sort of interactive contents page that "edits" the contents of the Web, presenting it to the user in a way which is both more coherent and structured than mere browsing, but more heterogeneous and random than the branded communities.

The search engines have realised their power. Yahoo!, which is probably the best known, is branching into publishing an ink-on-paper magazine. Several have added their own forms of information, such as a feed of wire-service news. Others will increasingly specialise in subject areas, style or censorship approach. (Yahoo!, for example, does not list explicitly sexual sites. Others do.)

The future of Web publishing lies in the convergence of the approach offered by the search engines and that of the branded communities. Specialised search engines will add original material of their own and forums for public discussion, in the manner of the branded communities. The communities, in their turn, will add searching capabilities to bring the rest of the wider Web within users' reach.

All this assumes that the bulk of the material on the Web will continue to be free or advertiser supported. For hobby sites, and those put up by companies promoting their wares, free access is the whole point of the exercise. For other sites, however, publishers will try to obtain revenues from users, just as they do for newspapers and magazines. Only very specialised information is likely to be able to justify a pay-per-view or subscription fee, however. Most Web publishers are likely to have to rely on advertising as their principal revenue source.

Web publishing in this way will partly replace ink-on-paper publishing, partly complement it, as the Yahoo! example shows. Technology will have to advance several steps further – in the ease of connecting to the Net, in the speed of transferring information, in the power of computers to cope with more complex animated illustrations – before it becomes a true mass medium. But just as anyone watching the Lumière Brothers' short film *L'Arroseur Arrosé* on its first showing 100 years ago this month could dimly discern the shape of the cinema of the future, so those using the Web now can see a new medium taking shape before their eyes.

TECHNOLOGY: Transport

Why speed is of the essence

Express trains may one day run at more than 300mph, says **Charles Batchelor**

For my part, I travel not to go anywhere, but to go. I travel for travel's sake. The great affair is to move.

Few modern travellers would agree with Robert Louis Stevenson's 19th-century voyager. The delays and inconveniences of travel are trials to be endured rather than delights to be enjoyed.

Most journey times have been reduced by new forms of transport – with the notable exception of cross-town travel by car or bus. But a series of developments in fields as diverse as turbines and traffic management promises to speed up journeys by land and sea still further – even those at present slowed by urban congestion.

In most cases, the prospective improvements come from incremental changes to existing technology rather than breakthroughs. Their impact is nonetheless set to be profound.

The greatest promise of future time savings is offered by the train. Conventional trains in the UK have top speeds of 125mph, although the French high-speed services run regularly at up to 185mph. Within 20 years some expect speeds of up to 310mph to be the norm.

High-speed rail travel has been made possible, in part, by more powerful electric motors and lighter materials which reduce the weight of rolling stock. But increases in speeds owe as much to improved signalling methods and control systems: a train travelling at 185mph gives the driver no time to read line-side signals; signalling instructions are therefore conveyed by electronic indicators on a screen in the train's cab.

Much of the success of high-speed trains depends on specially built tracks which take the most direct route from A to B and which cannot be used by conventional trains. But speeds of up to 155mph are now possible on conventional track, using tilting trains which do not need to slow down on bends.

The next step will be magnetic levitation (maglev), which uses magnetic power to suspend trains

over a monorail. Maglev has already been used on short stretches at airports and theme parks. Deutsche Bahn, the German railway, plans to build a line over the 185 miles between Hamburg and Berlin.

High-speed technology is also being applied to sea ferries, producing fast new vessels that can travel at up to 40 knots (46mph), twice the speed of conventional craft. The latest generation of ferries is based on lightweight aluminium-hulled catamarans driven by gas turbines which are used to power water jets.

These turbines are common on naval vessels but have only recently been applied to passenger ships. Similarly, the use of water jets has in the past been confined to small, fast, leisure and naval craft. They are now being used on ferries carrying 1,500 passengers and 375 cars.

Ferries may themselves give way to faster and more convenient rail and road links on many of the shorter sea crossings. The Channel tunnel has already provided a dry link between France and England; Denmark and Sweden will be joined by the Oresund bridge/tunnel in 2000. There are proposals too to build a link across the Bering Strait between Russia and Alaska and to join Europe and Africa.

Technology is also speeding up urban travel – especially bus travel. For example, the use of dedicated bus lanes on roads, coupled with electronic mechanisms to change traffic lights to green as the bus approaches, is being extended in several countries. Steps are also being taken to help passengers board faster. The latest buses have suspension systems which enable the vehicle's body to be lowered to pavement level at bus stops to smooth boarding. In many cities, the sale of paper bus tickets has been superseded by magnetic stripe cards. These, in turn, are being overtaken by smart cards containing silicon chips capable of holding a wider range of information about possible journeys and fares.

For the motorist, improved in-car information systems, linked to sensors which record slow moving or stationary traffic on roads and motorways, are starting to allow journeys to be planned to avoid traffic hold-ups. Drivers at present have a choice between systems which project a map on to a small screen on the car's dashboard, or those which deliver a voice message detailing delays and suggesting alternative routes.

These in-car systems are just one part of the fast-growing transport telematics industry, which applies computers and telecommunications technology to the task of traffic management. Road networks are increasingly monitored by closed-circuit TV cameras linked to control centres which can deal with accidents and divert traffic away from hold-ups.

In towns, traffic lights programmed to adjust their phasing to the volume of traffic are increasingly being linked into systems which allow city-wide management of traffic flows.

A shortage of public money and increased public resistance to the building of new road and rail links have driven these developments. With no easing of such pressures in prospect, the need for technology to provide for the better management of existing road capacity looks set to increase.

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Democrats spurned in plans for colony's future

Beijing appoints group to prepare HK handover

By Simon Holberton in Hong Kong

China yesterday selected a group of senior Hong Kong business figures, local pro-Beijing politicians and Communist party officials to oversee preparations for Hong Kong's reversion to Chinese rule during the last 18 months of British sovereignty.

In picking the 150-strong "preparatory committee", Beijing disappointed many by shunning members of Hong Kong's Democratic party, the group which won most popular support in the colony's general election in September.

Beijing has decided that any risk of having the legitimacy of its takeover questioned, by ignoring the Democrats, is outweighed by the presence of individuals who will do its bidding.

The Hong Kong government issued a bland response to yesterday's announcement, observing that it was in the colony's interest to co-operate with the committee. The government reiterated the offer, made by Mr Chris Patten, the governor, in October 1994, to help the committee. It plans to establish a liaison office to act as a clearing house for requests for information from the preparatory committee.

The committee will direct the incoming government to dismantle many of the political and legal reforms which have been a feature of the last years of British rule. Another of its main tasks will be the selection of 400 people to form an election committee to choose Hong Kong's first chief executive – as the post-colonial governor will be known.

The membership of the committee, which was endorsed by the standing committee of the National People's Congress, China's parliament, reads like a Who's Who of Hong Kong's Chinese business, with the big British companies, such as Hongkong Bank, Swire and Hongkong Telecom, excluded.

Indeed, 50 of the 94 Hong Kong members of the preparatory committee are owners of listed Hong Kong companies with a combined market capitalisation of HK$840bn ($107.8m), or 35 per cent of the Hong Kong market's total capitalisation.

Business membership is strongly weighted towards Hong Kong's property developers and includes the top five property tycoons – Mr Li Ka-shing of Cheung Kong, Mr Lee Shau Kee of Henderson, Mr Cheng Yu-tong of New World Development, Mr Walter Kwok of Sun Hung Kai Properties and Mr Peter Woo of Wheelock.

The owners of Hong Kong's two terrestrial television stations – Sir Run Run Shaw and Mr Lam Bor-yan – are members, as is Malaysian-Chinese entrepreneur Mr Robert Kuok, proprietor of the South China Morning Post.

Appointees among Hong Kong's nascent political class are the chairmen of the pro-business Liberal party, the pro-China Democratic Alliance for the Betterment of Hong Kong, and a small pro-democracy group, the Association for People's Livelihood. In all, some 14 members of the Legislative Council, Hong Kong's lawmaking body, were appointed – with the notable exception of Mr Martin Lee's Democratic party.

Nato general in talks with Milosevic during Serbia visit

By Laura Silber in Belgrade

A Nato commander yesterday made a ground-breaking visit to Serbia as the international force met its first deadline for bringing peace to Bosnia.

General George Joulwan, supreme allied commander in Europe, landed in Belgrade with the first Nato troops to set foot on Yugoslav soil. Their mission opened a vital route for troops bound for US headquarters in Tuzla, north-eastern Bosnia.

Gen Joulwan's visit was capped by talks with President Slobodan Milosevic of Serbia, who said as recently as two years ago that foreign troops would be welcome only as tourists.

It came as Bosnian Serb and Bosnian government forces met the first peace deadline under the Nato agreement – withdrawing by midnight on Wednesday from 38 checkpoints around Sarajevo.

The advance party of US troops arrived yesterday in four military transport aircraft packed with equipment. The troops were due to drive in convoy though Serbian territory across the border – once hostile territory – to Tuzla.

It was a crucial test case to determine whether Belgrade airport can be used as a main entry point for US troops. Diplomats believe the 200km overland route to Tuzla from Belgrade could hasten the despatch of the 60,000-strong Nato-led Implementation Force (Ifor).

Bad weather has dogged the Ifor mission since it took over from the United Nations nine days ago. There was flooding at a crossing at the frontier River Sava, where a pontoon bridge is due to be built for the main body of US troops crossing from Croatia into Bosnia.

Mr Milosevic, once seen as the main instigator of war in the region, is now widely regarded as a cornerstone of the peace. By contrast, Nato commanders have shunned contact with his former proxies, Mr Radovan Karadzic, the Bosnian Serb leader, and General Ratko Mladic, his military chief. Indicted as war criminals, the two cannot remain in office once elections are held within nine months.

Gen Joulwan said yesterday: "The instructions are [that] we will not go looking for individual war criminals. We will detain them if they come into contact with our forces."

Diplomats said the gen[illegible] visit was aimed at raw[illegible] Serb leaders for their co[illegible]tion in the peace process, [illegible] relations with the Serbs [illegible] to have improved greatl[illegible] US commander yesterday [illegible] pains to head off a co[illegible] with the Croats.

Asked to comment on the report that a US colonel had accused the Croats of being racists, Maj-Gen William Nash, commander in north-eastern Bosnia, said he was "very disappointed" and would investigate.

Political rivals back reforms in German telecoms

By Andrew Fisher in Frankfurt

The German government and the main opposition party have agreed a firm timetable for legislation to liberalise the telecommunications market and provide more competition for state-owned Deutsche Telekom after the company is privatised.

The deal between the parties is important to ensure the legislation passes both houses of parliament.

The Bundestag, or lower house, is controlled by Chancellor Helmut Kohl's ruling CDU/CSU coalition with the liberal FDP, but the Bundesrat, or upper house, is controlled by the opposition Social Democratic party (SPD).

The government has made important concessions to the SPD, which wanted the legislation to include a guarantee that the "universal" service would be both affordable and of a high standard.

The new legislation will include an obligation on the government to ensure the provision of a universal service – whereby anyone who wants a telephone will have the right to have one connected.

Postal ministry officials said the bill would go before the Bonn cabinet on January 24, and that parliamentary debate would start in February. With all-party consent, the new telecoms bill is expected to become law in the middle of next year.

The legislation will allow widespread access to the potentially lucrative German telecoms market – the third largest in the world after the US and Japan – from the start of 1998.

A number of big foreign telecoms operators, mainly from Britain and the US, have already [e]ntered partnerships with Ger[ma]n companies to compete with [Deut]sche Telekom in the esti[mated] DM75bn ($52bn) a year ma[rket].

The ministry said the content of the bill would be largely as agreed between the parties last month after long negotiations, with several points of detail having since been cleared up.

But the parties have not yet reached final agreement on the nature of a telecoms regulatory body.

A deal is expected to be hammered out next month, with the economics ministry likely to be the ministry responsible.

Mr Wolfgang Bötsch, telecommunications minister, said last month that the new law would provide ample opportunity for competitors of Deutsche Telekom – which will be partly privatised late in 1996 through a DM15bn share issue – to enter the market. It would also attempt to stop companies from abusing dominant positions.

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THE LEX COLUMN

Russia hangs up

Russia's government has dealt another heavy blow to the credibility of its own privatisation programme. The planned sale to Stet of 25 per cent of Sviazinvest, the telephone company, was the government's answer to critics of recent insider-dominated privatisation deals. It was supposed to show that Russia could make a success of an open auction to international bidders. Now the deal appears to have fallen through, the government can hardly complain if the opposite is concluded.

Stet was right to be demanding. Sviazinvest on its own is only a tiny holding company. Before committing $1.4bn, Stet's requests for clarity over what precisely it was buying, the regulatory regime, and its relationship with Rostelecom, Russia's dominant telecoms operator, look the least it could ask. Stet's shareholders should welcome the company's insistence that its investment be held in an escrow account until these questions are answered.

Stet may be acquiring a growing reputation for losing in international competitions, but the healthy rise in the company's share price since the deal foundered suggests investors are not too worried about that. This is the right reaction: for shareholders, losing in competitions is less worrying than winning and overpaying. If anything, what is worrying in this case is that the company seemed to develop cold feet rather late in the day. Stet should have insisted on getting answers to its questions at the outset.

Channel rail link

For years, the British government's flagship private finance project, a high-speed rail link from London to Paris, has seemed no more than a distant mirage. Next month, though, ministers will finally choose which consortium is to build it. And investors will have their first chance to size up its risks and returns.

Investors and banks stumping up the £3bn or so needed will rightly have the ghastly precedent of Eurotunnel at the front of their minds. True, lessons have been learned from Eurotunnel's problems. By the time construction contracts are signed and investors put up cash, the rail line should be planned in much more detail than the tunnel was. Moreover, investors will be told, the tried-and-tested engineering of a rail line is straightforward by comparison with the ground-breaking risks of the tunnel.

This comforting argument should, though, be taken with a hefty pinch of salt. Apart from anything else, the rail link will – unusually – include 25km of tunnelling. And tunnels are notoriously prone to risk. In theory, fixed-price contracts should protect the project from escalating costs. But investors cannot bank on it: if things go wrong, they are likely to be flooded with legal claims.

The risks of building the line are not the end of the story: investors will also have to cope with the risks of running it. If the airline sector is anything to go by, they would be unwise to pin their hopes on smoothly growing fare levels. And predicting rail traffic on a new line, past the turn of the century, is a dangerous game.

On top of all this, the performance of the existing Eurostar services to Paris and Brussels from London Waterloo has been disappointing. This is a double blow. It means investors are more likely to be pessimistic about the new line's prospects. And it means Eurostar, one of the goodies to be offered to the winning consortium, now looks a less attractive dowry. Both factors are likely to lead to a hefty increase in the subsidy needed to get the project off the government's hands.

Giving Eurostar to the winning consortium is a decision ministers may well come to regret. Passengers would do much better if the existing line were privatised separately, giving two competing train services to Paris – one from Waterloo, one from St Pancras. But for precisely this reason, the decision offers some protection for investors. It means the project will only have to face price wars with the airlines, not another rail line as well.

Even so, the winning consortium will still have to convince investors it can make a commercial success of the new line, not just build it. This gives one of the two bidders, London & Continental, two advantages over the other, Eurorail. L&C's consortium includes two transport operators, National Express and Virgin. And unlike Eurorail's consortium, which takes in BICC and Trafalgar House, it includes no construction contractors. Eurorail will have to work hard to convince investors the two construction firms do not stand too good a chance of winning juicy contracts from a consortium of which they are members. It is investors who will suffer if the relationship between the project and its contractors is too cosy.

Amstrad

The news that Amstrad is losing Mr David Rogers, its chief executive, after just 16 months will only confirm investors' suspicions of the electronics group. Not only does it look as if Mr Alan Sugar, its mercurial founder chairman, is tightening his grip on Amstrad – raising fears that there could be a reversal of the increased openness that followed his failure to take it private in September 1992. Judging by the recent fall in the share price, it also appears that the decision to embark on a second restructuring of the consumer electronics division – announced yesterday – may have leaked to the market. Two weeks ago Amstrad said it knew of no reason for the weakness in its shares.

Having said that, Mr Rogers' departure seems based on more than a simple clash of personalities. He was brought in to turn around the consumer arm, which competes in the hopelessly competitive market for audio and video equipment. Having brought it back to near break-even, he was apparently arguing for its renewed expansion. Meanwhile Mr Sugar, backed by his non-executive directors, wanted to cut it back further and concentrate resources on Amstrad's newer activities in direct computer sales and mobile phones. Since these offer faster growth and higher margins, that looks the correct strategy. Arguably, Amstrad should quit the consumer business altogether.

Even after yesterday's 13 per cent fall, the shares have kept pace with the market since Mr Sugar proposed his buy-out three years ago. Amstrad's prospects remain as uncertain as ever.

CompuServe

Continued from Page 1

groups and on the fast growing World Wide Web section of the Internet.

However, concern over pornography and other material such as bomb-making instructions carried on some parts of the Internet has led to calls for some form of regulation.

Shake-up at Hyundai

Continued from Page 1

aided by Mr Chung's control of Hyundai Motor Service, the group's domestic car sales unit. Mr Chung has since added the group's auto-financing division to his holdings.

Mr Chung also heads Inchon Iron and Steel and Hyundai Pipe. As the new Hyundai chairman, he is likely to push for his pet project, which is the construction of a $10bn steel mill that will make Hyundai self-sufficient in steel.

However, the government is opposing the project because it threatens to take business from state-owned Pohang Iron & Steel, and possibly contribute to a glut in domestic steel production.

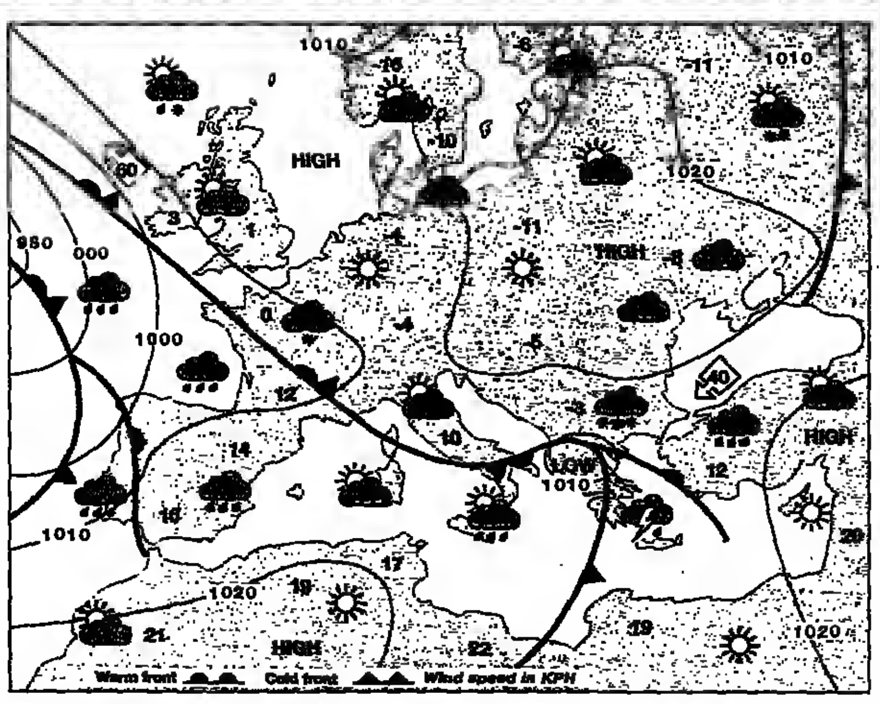
FT WEATHER GUIDE

Europe today

Much of Europe north of the Alps will be wintry with maximum temperatures below freezing. High pressure over Iceland and Russia will keep most of the UK and Ireland dry with sunny periods. The Benelux, northern France, Germany, Poland, the Czech Republic and Slovakia will be sunny. The Shetlands and the Orkneys will have snow showers. A depression over Greece will cause rain in Serbia, Macedonia, Greece and south-western Turkey. Higher ground in northern Greece and the former Yugoslavia will have snow. Mild air over southern France will slowly move north-east accompanied by rain. Snow will fall in the Alps above 1,200 metres. Spain and Portugal will be mild and unsettled.

Five-day forecast

Mild air over south-western France will make further progress towards the British Isles, the Benelux, Germany and the Alps, causing cloud, snow and drizzle during the weekend. The Mediterranean will continue unsettled and mild with numerous showers in Spain and Portugal on Saturday. Italy, the former Yugoslavia, Greece and western Turkey will have showers this weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	21
Accra	sun	31
Algiers	cloudy	10
Amsterdam	sun	-2
Athens	rain	16
Atlanta	sun	6
B. Airs	fair	28
B.ham	sun	0
Bangkok	sun	29
Barcelona	fair	13
Beijing	sun	5
Belfast	fair	1
Belgrade	snow	-4
Berlin	sun	-7
Bermuda	shower	13
Bogota	fair	20
Bombay	fair	33
Brussels	sun	-3
Budapest	fair	-6
C.hagen	cloudy	-3
Cairo	fair	21
Cape Town	fair	25
Caracas	fair	32
Cardiff	fair	2
Casablanca	shower	21
Chicago	fair	2
Cologne	sun	-2
Dakar	sun	27
Dallas	fair	12
Delhi	fair	21
Dubai	sun	21
Dublin	fair	4
Dubrovnik	rain	10
Edinburgh	sun	-1
Faro	rain	13
Frankfurt	fair	-5
Geneva	sleet	3
Gibraltar	rain	15
Glasgow	fair	-6
Hamburg	cloudy	-7
Helsinki	fair	-8
Hong Kong	sun	13
Honolulu	fair	30
Istanbul	rain	12
Jakarta	shower	31
Jersey	cloudy	4
Karachi	sun	26
Kuwait	sun	18
L. Angeles	fair	21
Las Palmas	fair	24
Lima	fair	26
Lisbon	rain	17
London	fair	2
Lux.bourg	fair	-4
Lyon	sleet	4
Madeira	rain	22
Madrid	rain	8
Majorca	fair	16
Malta	shower	16
Manchester	fair	0
Manila	cloudy	28
Melbourne	fair	22
Mexico City	cloudy	19
Miami	sun	13
Milan	shower	5
Montreal	cloudy	-4
Moscow	fair	-12
Munich	cloudy	-6
Nairobi	fair	26
Naples	cloudy	11
Nassau	fair	23
New York	sun	4
Nice	shower	12
Nicosia	cloudy	16
Oslo	fair	-10
Paris	cloudy	0
Perth	sun	32
Prague	sun	-9
Rangoon	sun	31
Reykjavik	fair	1
Rio	shower	30
Rome	cloudy	13
S. Frsco	fair	15
Seoul	fair	-1
Singapore	shower	29
Stockholm	cloudy	-10
Strasbourg	snow	-1
Sydney	fair	28
Tangier	rain	17
Tel Aviv	sun	21
Tokyo	fair	11
Toronto	fair	-1
Vancouver	rain	6
Venice	cloudy	3
Vienna	fair	-9
Warsaw	sun	-11
Washington	sun	7
Wellington	fair	18
Winnipeg	cloudy	-5
Zurich	snow	-2